

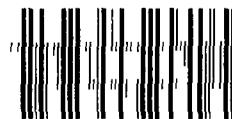
GAO

Report to the Administrator of Veterans
Affairs

April 1987

SMALL BUSINESS ACT

VA's Disadvantaged Business Advocate Now Reporting to Proper Management Level



132756

038652

Human Resources Division**B-222903.5**

April 27, 1987

The Honorable Thomas K. Turnage
Administrator of Veterans Affairs

Dear General Turnage:

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 Veterans Administration (VA) was one of the agencies selected.

To determine if VA was in compliance with the Small Business Act, Section 15(k)(3), we interviewed VA's Director, OSDBU, and officials in the Office of Program Analysis and Evaluation, and VA's General Counsel's Office. We also reviewed organizational charts, a description of the Director's responsibilities, 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 VA's OSDBU programs. Our work was performed from March through October 1986 at VA's Washington, D.C., headquarters and was done in accordance with generally accepted government auditing standards.

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.

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.

The VA Is Now in Compliance With the Law

VA's OSDBU was established on November 4, 1982. The Associate Deputy Administrator for Logistics was designated as the agency's Director, OSDBU, reporting to the Deputy Administrator, the second highest agency official. However, on May 12, 1986, in an internal reorganization, the Administrator created a new position of Chief of Staff and directed the Associate Deputy Administrator to report to this official. Therefore, we concluded that because the Director, OSDBU, was not responsible only to and did not report directly to the Administrator or Deputy Administrator of VA, the Director's reporting level was not in compliance with the Small Business Act, Section 15(k)(3). We then informed VA of our conclusion and proposed that the Director's reporting relationship be changed to conform with the requirements of the act.

Agency Comments

In his February 11, 1987, reply to a draft of our report, (see app. I) VA's Administrator notified us that his December 22, 1986, directive had officially changed the Director's reporting level. This document notes that the Director will be reporting to the Deputy Administrator on OSDBU matters. The Deputy will also provide input for the Director's annual performance rating concerning OSDBU matters. The Director confirmed that these changes have taken place. Therefore, VA is now in compliance with the Small Business Act, Section 15(k)(3).

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,



Richard L. Fogel
Assistant Comptroller General

Comments From the Veterans Administration

Office of the
Administrator
of Veterans Affairs

Washington DC 20420



FEB 11 1987

In Reply Refer To

Mr. Richard L. Fogel
Assistant Comptroller General
Human Resources Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Fogel:

This responds to your request that the Veterans Administration (VA) review and comment on the General Accounting Office (GAO) January 21, 1987 draft report SMALL BUSINESS ACT: VA's Disadvantaged Business Advocate does not Report to the Proper Management Level. The VA was 1 of 13 agencies whose compliance with Section 15(k) of the Small Business Act was reviewed. The GAO determined this Agency was not in compliance because the VA's Director of the Office of Small and Disadvantaged Business Utilization (OSDBU) did not report directly to me or my deputy.

Enclosed is a copy of my December 22, 1986 memorandum, stipulating that effective immediately, the Director, OSDBU should report to the Deputy Administrator. That directive implemented your recommendation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thomas K. Furnage', written over a horizontal line.

THOMAS K. FURNAGE
Administrator

Enclosure

"America is #1—Thanks to our Veterans"

Enclosure



Veterans
Administration

Memorandum

Date DEC 22 '86
From Administrator (00)
Subj Approval of Recommendation for VA's Office of Small and Disadvantaged Business Utilization
To Associate Deputy Administrator for Logistics (005)

1. I have reviewed the recommendations contained in the Office of Small and Disadvantaged Business Utilization study completed by the Office of Program Analysis and Evaluation. I have made a final decision concerning your role and reporting function as the Director of OSDBU.

2. You are to begin reporting as of this date to the Deputy Administrator on OSDBU matters only. Please prepare a comprehensive briefing for the Deputy Administrator on all aspects of the OSDBU organization and functions as soon as possible. The report provides some detail suggesting the nature of the new reporting relationship which can be used as a guide in determining those activities appropriate for the Deputy Administrator's direct involvement. The frequency of reporting is to be determined by you and the Deputy Administrator. In addition, the Deputy Administrator will provide the necessary input for your performance rating concerning OSDBU matters to the Chief of Staff.

3. This will place the VA in clear compliance with legal requirements governing the OSDBU.

A handwritten signature in black ink, appearing to read 'Thomas K. Turnage'.

THOMAS K. TURNAGE

Attachment

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