



Highlights of [GAO-13-95](#), a report to congressional requesters

Why GAO Did This Study

VA is required to give contracting preference to service-disabled and other veteran-owned small businesses. It must also verify the ownership and control of these firms to confirm eligibility. Prior reports by GAO and VA's Office of Inspector General identified weaknesses in VA's processes and controls that allowed ineligible firms to be verified. GAO was asked to review the verification program. For this report, GAO assessed (1) VA's progress in establishing a program for verifying firms' eligibility on a timely and consistent basis and (2) key operational and policy issues that VA would have to address should its verification program be implemented government-wide. GAO reviewed VA's policies and procedures; compared its initial strategic planning effort with previously identified leading strategic planning practices; interviewed VA officials and veterans' organizations; and analyzed government-wide contracting databases.

What GAO Recommends

To improve the long-term effectiveness of the program, VA should (1) refine and implement a strategic plan with outcome-oriented long-term goals and performance measures, and (2) integrate its efforts to modify or replace the program's data system with a broader strategic planning effort to ensure that the system addresses the program's short- and long-term needs. VA concurred with both recommendations.

View [GAO-13-95](#). For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.

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VETERAN-OWNED SMALL BUSINESSES

Planning and Data System for VA's Verification Program Need Improvement

What GAO Found

The Department of Veterans Affairs (VA) has made significant changes to its verification processes for service-disabled and other veteran-owned small businesses to improve operations and address program weaknesses, but continues to face challenges in establishing a stable and efficient program to verify firms on a timely and consistent basis. Since December 2011, VA has instituted a number of significant operational changes, including revising standard operating procedures and enhancing quality assurance protocols for its verification program. However, GAO found that VA did not have a comprehensive, long-term strategic plan for the program and had prioritized addressing immediate operational challenges, contributing to programmatic inefficiencies. In response to this observation, VA's Office of Small and Disadvantaged Business Utilization (OSDBU) initiated action in late October 2012 to compile a strategic planning document that encompassed the verification program. VA's OSDBU appears to have partially applied key leading strategic planning practices in its initial planning effort. But the plan lacks performance measures to assess whether the desired outcomes are being achieved and has a short-term focus that is not typically associated with a strategic plan. VA also has not shared the plan with key stakeholders, including congressional staff. Further, the verification program's data system has shortcomings that have hindered VA's ability to operate, oversee, and monitor the program. Among other things, the system does not collect important data and has limited reporting and workflow management capabilities. VA plans to modify or replace the system, but has not directly tied this effort into its long-term strategic planning efforts to ensure that the new system meets the verification program's long-term information needs.

Expanding VA's verification program to support the government-wide contracting program for service-disabled, veteran-owned small businesses would require VA to improve its verification process and address a number of operational and policy issues. GAO estimated that between about 3,600 and 16,400 currently self-certified firms could seek verification under an expanded program, but VA has experienced ongoing challenges verifying the volume of firms currently participating in the program. GAO's prior and current work indicates that VA would need to further reduce its program's vulnerability to fraud and abuse, demonstrate whether recent operational changes have improved performance, have in place effective methods for educating applicants, and address the limitations of the program's data system in order to expand successfully. Also, VA has begun a process to revise the verification program's regulations, partly in response to concerns about VA's eligibility standards being too stringent. However, any changes to VA's verification requirements could create or widen differences between the various government-wide small business contracting programs' requirements and VA's, a consideration that would likely be of even greater importance if VA's verification program were expanded. Addressing these issues for its own program—or ultimately for a government-wide program—requires weighing tradeoffs between reducing the burden of verification on eligible firms and providing reasonable assurance that contracting preferences reach their intended beneficiaries.