

# GAO Highlights

Highlights of [GAO-24-106196](#), a report to congressional requesters

## Why GAO Did This Study

Congress has established set-aside programs that require federal agencies to offer contracting opportunities to small businesses. Some policymakers have raised questions about whether nonmanufacturer rule waivers are reducing federal contracting opportunities for small manufacturers.

GAO was asked to examine SBA's recent reviews of nonmanufacturer rule waiver requests. There are individual and class waivers, and this report focuses on individual waivers. This report examines (1) the number of individual waiver requests and their likely effect on small businesses and (2) SBA's policies and procedures for reviewing individual waiver requests. GAO reviewed the data reliability of a nongeneralizable sample of 67 waiver requests in SBA's electronic waiver log for fiscal years 2017–2022 (chosen to include a range of decision statuses for requests from selected agencies) and analyzed SBA's review process documented in the associated files for a subset of these requests. GAO interviewed officials at SBA and the Departments of Defense, Veterans Affairs, and the Interior (selected to account for the volume of waiver requests and a variety of outcomes). GAO also interviewed representatives from three industry associations with expertise in federal contracting.

## What GAO Recommends

GAO recommends that SBA develop policies and procedures to (1) review the accuracy of entries in its nonmanufacturer rule electronic waiver log and (2) inform how management should review proposed waiver decisions. SBA concurred with both recommendations.

View [GAO-24-106196](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or [GarciaDiazD@gao.gov](mailto:GarciaDiazD@gao.gov).

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## SMALL BUSINESS CONTRACTING:

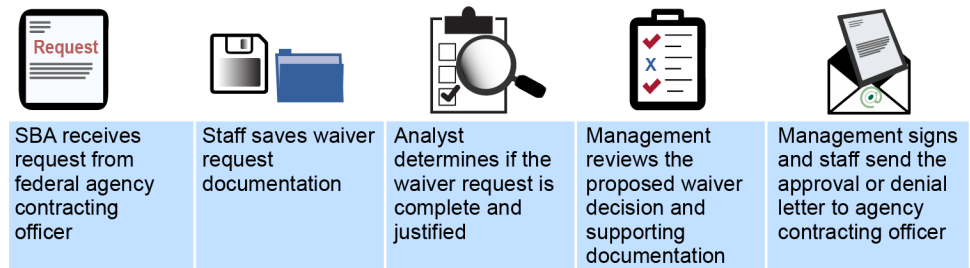
### SBA Could Improve Oversight of Individual Waiver Requests to the Nonmanufacturer Rule

## What GAO Found

The nonmanufacturer rule allows federal agencies to award contracts to small business contractors to supply products manufactured by another small business if the contractors do not manufacture those products themselves. If no small business manufacturers exist, federal agencies can request from the Small Business Administration (SBA) a nonmanufacturer rule waiver to allow a small business to supply the product of any sized manufacturer (see figure).

SBA data indicated that from fiscal years 2017 through 2022, agencies submitted approximately 670 waiver requests, roughly 80 percent of which were approved. Given the relatively small number of NMR waiver requests SBA has approved in recent years, stakeholders believed the effect of waivers to be limited. GAO could not determine the effect of these waivers as data in SBA's electronic waiver log on the number of approved requests were inaccurate or incomplete. Some log entries did not match underlying documentation and some status fields did not accurately indicate waiver request denial or approval. SBA officials told GAO they do not conduct scheduled quality reviews of the electronic waiver log. By developing policies and procedures for ensuring the reliability of its waiver request data on a scheduled basis, SBA would have more reasonable assurance that it has reliable data for reporting on and assessing the operation of its NMR program.

#### SBA's Process for Reviewing Requests for Waivers of the Nonmanufacturer Rule



Source: GAO analysis of interviews and Small Business Administration (SBA) policies and procedures. | GAO-24-106196

Additionally, SBA does not have policies or procedures describing how management is to review its analyst's decisions. SBA's guidance requires SBA to review certain types of information in waiver requests, but over half of the 12 approved waiver requests GAO analyzed did not contain evidence showing that analysts reviewed each required component. SBA stated that the analysts may have reviewed the components but not saved documents into the waiver request files. However, SBA was unable to provide support for this claim. By developing policies and procedures to inform management review, including which documents management should review to verify analysts' justification of waiver request decisions, SBA would have greater assurance that these decisions are sound and consistent.