

EVALUATION REPORT

EVALUATION OF SBA'S ALL SMALL MENTOR-PROTÉGÉ PROGRAM





EXECUTIVE SUMMARY

EVALUATION OF SBA'S ALL SMALL MENTOR-PROTÉGÉ PROGRAM

Report
No. 19-17

September
17, 2019

What OIG Reviewed

The Small Business Administration (SBA) established the All Small Mentor-Protégé program in 2016 to extend SBA-approved mentor-protégé relationships to all small businesses. The program seeks to develop protégé firms through mentor-provided business development assistance and to help protégé firms successfully compete for federal contracts.

The program aims to help small businesses learn from experienced government contractors, including large businesses. Under this program, businesses that share a mentor-protégé relationship can form a joint venture to compete for federal contracts reserved for small businesses.

Our objectives were to determine whether SBA implemented effective controls to ensure it conducted initial application reviews and annual evaluations in accordance with the All Small Mentor-Protégé program regulations and it measured program success. To answer our objectives, we met with SBA officials to gain an understanding of the program structure and processes, and their perspectives on the challenges to the implementation of the program. Additionally, we selected and reviewed 12 mentor-protégé applications submitted from the inception of the program through August 1, 2018.

What OIG Found

SBA did not implement effective controls to ensure it conducted initial application reviews and annual evaluations to fully align with program regulations. Additionally, SBA did not fully adhere to established processes or ensure it appropriately documented assessments. Further, while SBA identified program performance indicators and a process to measure results, it did not effectively monitor and evaluate the results. As a result, SBA's program may not be developing small businesses as it intended and unqualified businesses, including large businesses, may improperly benefit from the program.

OIG Recommendations

We recommended that SBA align its application and annual evaluation processes with program regulations and take steps to adequately measure program success. Additionally, we recommended that SBA prioritize staff and information technology resources to improve the implementation of its program processes.

Agency Response

SBA management agreed with three recommendations but did not agree with one recommendation. Management's planned actions resolve three recommendations. SBA plans to issue final standard operating procedures for the All Small Mentor-Protégé program that include steps to ensure that mentors are qualified to participate in the program. Additionally, SBA will ensure that the standard operating procedures include steps on documenting completion of the application and annual review processes. Lastly, SBA is taking steps to fulfill functional requirements for the All Small Mentor-Protégé program.

We did not reach resolution on recommendation 3. SBA, as part of its oversight role, must ensure that it takes all necessary measures to ensure the integrity of the All Small Mentor-Protégé program. This includes prioritizing staff resources to ensure application reviews and annual evaluations are conducted in accordance with regulatory and program requirements.




**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

Final Report Transmittal
Report Number: 19-17

DATE: September 17, 2019

TO: Christopher M. Pilkerton
Acting Administrator and General Counsel

FROM: Hannibal "Mike" Ware 
Inspector General

SUBJECT: Evaluation of SBA's All Small Mentor-Protégé Program

This report presents the results of our review of the Small Business Administration's (SBA's) All Small Mentor-Protégé Program. We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation.

We considered management comments on the draft of this report when preparing the final report. Management agreed to address three out of four recommendations identified in the report; however, one recommendation is pending resolution.

We appreciate the courtesies and cooperation extended to us during this audit. If you have any questions, please contact me at (202) 205-6586 or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6616.

cc: Robb N. Wong, Associate Administrator, Office of Government Contracting and Business Development
Barbara Carson, Deputy Associate Administrator, Office of Government Contracting and Business Development
Lori Gillen, Director, All Small Mentor-Protégé Program, Office of Government Contracting and Business Development
Martin Conrey, Attorney Advisor, Legislation and Appropriations
Kyong Chae, Internal Control Analyst, Office of Internal Controls

Table of Contents

Introduction.....	1
Prior Work.....	2
Objectives.....	2
Finding 1: Key Controls Missing to Prevent Unqualified Mentors From Receiving Program Benefits 3	
Application Review and Annual Evaluation Processes Did Not Include Key Controls Prescribed in the Regulations.....	3
Management Actions.....	4
Recommendation.....	4
Finding 2: Program Controls Not Effective to Ensure Small Businesses Developed as Intended.....	5
Program Officials Did Not Fully Adhere to Its Established Application Review and Annual Evaluation Processes.....	5
<i>Application Review Process</i>	5
<i>Annual Evaluation Process</i>	5
Staffing and Technical Resource Constraints Affected Oversight.....	6
Poor Quality and Consistency Hampered Effective Implementation.....	6
Recommendations.....	7
Finding 3: SBA Did Not Adequately Measure Benefits of the All Small Mentor-Protégé Program.....	8
SBA Identified Outcomes to Measure Program Effectiveness.....	8
SBA Did Not Collect Sufficient Data to Accurately Measure Program Success.....	8
Program Officials Did Not Prioritize Staff and IT System Resources to Effectively Analyze Program Outcomes.....	9
Analysis of Agency Response.....	10
Summary of Actions Needed to Close the Recommendations.....	10
Appendix I: Objectives, Scope, and Methodology.....	12
Use of Computer-Processed Data.....	12
Appendix II: Agency Comments.....	13

Introduction

The National Defense Authorization Act for Fiscal Year 2013 authorized the Small Business Administration (SBA) to establish a mentor-protégé program for all small businesses consistent with its mentor-protégé program for participants in SBA's 8(a) Business Development Program.¹ Accordingly, in 2016, SBA established the new, governmentwide mentor-protégé program for all small businesses known as the All Small Mentor-Protégé program. The program encompasses all small businesses, including small businesses eligible for preference contracts such as women-owned small businesses, service-disabled veteran-owned small businesses, small businesses in historically underutilized business zones, and businesses in the 8(a) Business Development Program. The purpose of the program is for mentors to provide business development assistance to protégé firms and to improve protégé firms' ability to successfully compete for federal contracts.² As of April 30, 2019, program officials reported that the program had 759 active mentor-protégé agreements.

To participate in the program as a protégé, a firm must be organized for profit and generally qualify as a small business within their primary industry code.³ A mentor must also be a for-profit business that demonstrates a commitment and the ability to assist small businesses. Mentors may be large or small businesses. To apply for the program, the mentor and protégé must have already established a relationship and created a mentor-protégé agreement that identifies the protégé's needs and a description of the assistance the mentor agrees to provide. Protégés submit the necessary documents for program office approval. The term of a mentor-protégé agreement is 3 years, but it may be extended for another 3 years.

The program is intended to benefit both mentors and protégés. For protégés, the program creates a framework under which firms obtain valuable technical, management, financial, and contracting assistance from established government contractors. For mentors, a primary benefit to participate in the program is to form a joint venture with their protégé to pursue small business set-aside and sole-source contracts without the two firms being considered affiliated for purposes of SBA's small business size standards.⁴

The program limits the number of agreements that protégés and mentors can have at any one time. Protégé firms can have two mentors over the lifetime of the firm. Alternatively, mentor firms can have up to three protégés at one time and have no limitation on the number of protégé firms over time. As such, mentor firms, including large businesses, are able to form joint ventures with three protégé firms and secure small business set-aside contracts or sole-source contracts based on the protégé firm's status in preference contracting programs. At the expiration of those mentor-protégé agreements, mentor firms are able to form joint ventures with another three protégés and continue securing contracts under the preference contracting programs.

To continue to participate in the program, protégés must submit annual evaluation reports to SBA describing the success the mentor's assistance has had in addressing its developmental needs and expressing any problems encountered. Program officials use the information in the annual evaluation reports to determine whether the program is achieving its intended purpose.

¹ National Defense Authorization Act for Fiscal Year 2013, H.R. 4310, Sec. 1641.

² 13 CFR 125.9(a).

³ The program regulations at 13 CFR 125.9(c) require that protégé firms qualify as small for the size standard corresponding to its primary North American Industry Classification System (NAICS) industry code or seeking assistance with respect to a secondary NAICS code under which they qualify as small.

⁴ 13 CFR 125.9(d)(4).

Prior Work

In 2012, we conducted an audit of the 8(a) Mentor-Protégé program to review benefits received by protégés through joint venture agreements with mentors.⁵ We found that SBA could not ensure that the 8(a) Mentor-Protégé program was achieving its intent of helping small disadvantaged businesses. Also, we found that SBA did not mitigate inherent risks or establish performance measures to monitor 8(a) Mentor-Protégé program performance. We made six recommendations that required SBA to develop measurable outcomes, develop oversight procedures, and to assess risk. As of November 2018, SBA provided documentation to support implementation of all recommendations.

In 2011, the Government Accountability Office (GAO) conducted an audit on federal mentor-protégé programs.⁶ GAO found that controls existed to help ensure participants were eligible and received benefit from participation in the programs. GAO also found that most federal mentor-protégé programs did not collect post-agreement information on protégé success. GAO recommended that SBA consider collecting and maintaining protégé information after they complete the program.

In 2017, GAO conducted an audit on the Department of Defense (DoD) Pilot Mentor-Protégé program.⁷ GAO found that DoD's procedures did not provide reasonable assurance that mentor-protégé agreements contained all required elements. Additionally, DoD lacked performance goals and measures to facilitate effective program assessment. GAO also noted that while SBA and DoD mentor-protégé programs had key differences, the agencies planned to consider harmonization in the future.

Objectives

Our objectives were to determine whether SBA implemented effective controls to ensure (1) it conducted initial application reviews and annual evaluations in accordance with the All Small Mentor-Protégé program regulations and (2) it measured program success.

⁵ SBA OIG Report 13-03, Benefits of Mentor-Protégé Joint Ventures are Unknown: Robust Oversight is Needed to Assure Success and Avoid Abuse (October 23, 2012).

⁶ GAO 11-548R, Mentor-Protégé Programs Have Policies That Aim to Benefit Participants but Do Not Require Postagreement Tracking (June 15, 2011).

⁷ GAO 17-172, DoD Should Take Actions to Ensure That Its Pilot Mentor-Protégé Program Enhances the Capabilities of Protégé Firms (April 11, 2017).

Finding 1: Key Controls Missing to Prevent Unqualified Mentors From Receiving Program Benefits

Program officials did not implement effective controls to ensure mentors met the qualification requirements as defined in the program's regulations when they conducted application reviews and annual evaluations. Although program officials generally aligned the application review and annual evaluation processes to program regulations, they did not design procedures to review mentor qualifications before approving applications or while reviewing annual evaluation reports. Program officials streamlined the application form and annual evaluation report to focus on the protégés and relied on the protégés to assess the mentors' qualifications. As such, the program is at risk of approving unqualified mentors that could improperly obtain program benefits, including small business set-aside contracts.

Application Review and Annual Evaluation Processes Did Not Include Key Controls Prescribed in the Regulations

Program regulations require that mentors meet certain conditions to participate in the program. Specifically, the mentor must

- demonstrate that it is capable of carrying out the responsibilities to assist the protégé firm under the proposed mentor-protégé agreement,
- possess good character,
- not appear on the federal list of debarred or suspended contractors, and
- be able to impart value to a protégé firm due to lessons learned and practical experience gained or through its knowledge of general business operations and government contracting.⁸

Program officials designed a mentor-protégé agreement template that led applicants to include information on mentors' capability of carrying out the responsibilities to assist the protégé firm and ability to impart value to a protégé firm. However, we did not find evidence that they had analyzed this information. According to program officials, they reviewed these application requirements but did not document their analysis. Furthermore, program officials did not design the application forms to ensure applicants provided information on mentors' character or whether mentors were on the federal list of debarred or suspended contractors. We confirmed that program officials did not ensure that mentors met these 4 conditions for 9 of the 12 applications we reviewed.⁹

Rather than focusing on the mentors' eligibility requirements when they developed the program's application forms, program officials tailored the application questions primarily for protégés and did not include specific questions pertaining to mentors. Program officials explained that since the program's goal was to develop small businesses, the program should be protégé focused rather than mentor focused. Further, program officials told us that protégés were in a better position to identify qualified mentors based on their individual needs rather than SBA's assessment of the mentors' qualifications. Because program officials could not demonstrate that they had assessed mentors' qualifications, there is little assurance that unqualified mentors are not participating in the program and receiving program benefits, including small business set-aside and sole-source contracts, for which they would not otherwise be eligible.

⁸ 13 CFR 125.9(b).

⁹ Program officials declined 3 of the 12 applications we reviewed because 2 applicants did not provide mentor-protégé agreements and 1 applicant did not provide a mentor-protégé agreement and business plan.

Further, program officials did not include questions in the annual evaluation report to ensure that mentors continued to qualify for the program in terms of character and financial position. Program regulations require that SBA review the mentor-protégé relationship annually to determine whether to approve its continuation for another year.¹⁰ These regulations require mentors to annually certify that they continue to possess good character and a favorable financial position.¹¹ Program officials did not adhere to this regulatory requirement because they did not design the annual evaluation process to include an assessment of whether mentors continued to qualify for the program.

By not verifying that mentors are qualified to continue participating in the program, regular checks and balances to ensure program integrity are greatly diminished. Further, there is no assurance that mentors are not exploiting the program.

Management Actions

During our evaluation, SBA took steps to correct missing regulatory components in the application process. Specifically, SBA drafted a certification form for mentors to complete and submit during the application process. The form includes an attestation regarding the mentor's compliance with the requirements for capability of carrying out its responsibilities to assist the protégé, good character, not appearing on the federal list of debarred or suspended contractors, and ability to impart value to a protégé firm. Program officials told us that while they uploaded the mentor certification form into certify.SBA.gov on April 23, 2019, the form was not yet a mandatory document for applicants to submit with their program applications.

Recommendation

We recommend that the Administrator require the Associate Administrator for the Office of Government Contracting and Business Development to:

1. Develop and implement application review and annual evaluation procedures to ensure mentors are qualified, including implementing mandatory use of the mentor certification form.

¹⁰ 13 CFR 125.9(e)(5).

¹¹ 13 CFR 125.9(b)(3).

Finding 2: Program Controls Not Effective to Ensure Small Businesses Developed as Intended

Program officials did not fully adhere to their established application review and annual evaluation processes or ensure that they appropriately documented their assessments. These conditions occurred because SBA did not prioritize staff resources, and its information technology (IT) system was not sufficiently developed to effectively implement its established processes. Further, program officials did not ensure quality and consistency in the application review process. Without effective controls over the application review and annual evaluation processes, SBA cannot ensure that the mentors possessed the qualifications to assist protégés and provided support to develop small businesses as the program intended.

Program Officials Did Not Fully Adhere to Its Established Application Review and Annual Evaluation Processes

Program officials developed application review and annual evaluation processes that generally aligned with regulations. Additionally, program officials included supervisory reviews of staff decisions for application and annual evaluation determinations to verify that the decisions were supported by the records the applicant submitted. However, while program officials developed procedures for the application review and annual evaluation processes, we found program officials did not ensure that they effectively implemented these processes.

Application Review Process

As noted in finding 1, for the nine approved mentor-protégé agreements that we reviewed, program officials' case files did not contain sufficient documentation to demonstrate that mentors were qualified. In addition, program officials' case files did not contain evidence to support whether the protégé had prior experience operating in a secondary North American Industry Classification System code. Program officials told us that they reviewed these application requirements but did not document their analysis. Additionally, the case files for 7 of the 12 applications did not contain evidence of supervisory approval, a required final step in the application review process.

Annual Evaluation Process

Program officials did not ensure they collected the required annual evaluation reports from all program participants. Specifically, we found that from October 6, 2017, the date the first annual evaluation was due, to August 1, 2018, only 158 of 259, or 61 percent, of program participants submitted annual evaluation information. Further, program officials conducted annual evaluations for only 60 program participants, or less than 24 percent, of the required annual evaluations due during the scope of our evaluation. Of the nine approved mentor-protégé relationships we reviewed, program officials should have conducted annual evaluations of four. However, program officials completed only one of the four annual evaluations.

Further, for the annual evaluation that program officials completed, they did not document whether they reviewed the protégé's business plan to assess whether the goals and objectives were aligned with the mentor-protégé agreement and the annual evaluation report, as required by the program's annual evaluation process. Since program officials did not fully document the annual evaluation review, we were unable to verify whether they properly assessed the annual evaluation information provided by program participants. Without proper documentation of the reviews, there is no assurance that mentors continued to be qualified for the program and provided services that benefit protégés in mentor-protégé relationships.

Staffing and Technical Resource Constraints Affected Oversight

Program officials did not fully comply with application review and annual evaluation processes primarily because SBA leadership did not prioritize the program in terms of staffing levels. When SBA officials designed the program, they indicated that the program would initially need 12 full-time employees to effectively implement the program. However, the program has only had five employees and a program director since its initiation. As the volume of applications increased, program officials chose to prioritize available staff time for these employees on application reviews.

In addition, program officials did not have a reliable and functional IT system. We found that SBA's system of record for the program, certify.SBA.gov, did not have the functionalities needed to capture, track, and manage the program's application and annual evaluation processes or produce reports for these processes. Further, program officials told us the system did not have sufficient functionality to allow them to properly manage the program and at times was unreliable. For example, program officials reported that case files randomly disappeared from the certify.SBA.gov database, and they learned that the files were missing due to applicants' complaints. Additionally, when program officials declined an application, the entire file was deleted in certify.SBA.gov.

Moreover, the IT system lacked functionality for the annual evaluation process. Therefore, program officials designed manual data collections tools, primarily in the form of Excel spreadsheets, to perform necessary functions. Initially, the participants completed and uploaded an annual evaluation report form into certify.SBA.gov. Program officials then extracted the report from certify.SBA.gov to complete their review. Beginning in May 2018, program officials used SurveyMonkey, an online survey development service, to collect data for annual evaluations. Program officials asserted that this was a better way to streamline and export data for qualitative and quantitative analysis since certify.SBA.gov had not yet developed the functionality to capture annual evaluations.

Poor Quality and Consistency Hampered Effective Implementation

Program officials did not ensure quality and consistency in its established processes. As stated above, case files did not contain evidence of a required supervisory review. Likewise, some case files included documentation, such as copies of correspondence with participants, while others did not. Program officials told us that program staff relied on prior experiences to individually determine their practices for documentation. Moreover, program staff did not verify data entered into the tracking spreadsheets. For example, we noticed one entry in the tracking spreadsheet stating that the protégé had \$1.2 billion in revenue during the first year of its mentor-protégé relationship and that the mentor had 100 percent equity stake in the protégé.¹² While we did not independently verify this anomaly, program officials should have flagged and verified this information. We referred this issue to program officials who stated they intended to seek additional information from this participant.

¹² Program regulations at 13 CFR 125.9(d)(2) prohibit a mentor from having more than a 40 percent equity in the protégé firm.

Recommendations

We recommend that the Administrator require the Associate Administrator for the Office of Government Contracting and Business Development to:

2. Develop and implement procedures to ensure quality and consistency in application reviews and annual evaluations, including maintaining adequate documentation to support completion of each step in the application review and annual evaluation processes.
3. Prioritize staff resources to ensure application reviews and annual evaluations are conducted in accordance with regulatory and program requirements.
4. Ensure that certify.SBA.gov has the functionality needed for program officials to conduct application reviews and annual evaluations.

Finding 3: SBA Did Not Adequately Measure Benefits of the All Small Mentor-Protégé Program

While program officials established program outcomes and created a process to measure program results, they did not effectively monitor and evaluate the results. SBA did not prioritize staff resources and did not provide a functional IT system to implement its designed process. As a result, SBA did not adequately measure whether protégés benefitted from the program.

SBA Identified Outcomes to Measure Program Effectiveness

At the onset of the program, program officials created a logical framework to evaluate the effectiveness of the program. Wherein, the program officials identified inputs, activities, and outputs that led to desired outcomes. Further, program officials segmented the outcome measurements into short-term outcomes focused on program awareness, intermediate outcomes focused on behavior, and long-term outcomes focused on improved conditions for protégés (see figure below).

Figure. All Small Mentor-Protégé Program Outcomes

Short-Term Outcomes	Intermediate Outcomes	Long-Term Outcomes
<ul style="list-style-type: none">•Increased brand awareness•Small and large businesses decide to pursue a mentor-protégé relationship•Mentors gain greater awareness of protégé skills and certifications•Other agencies strengthen program or refer participants•Program has reputation as useful and successful	<ul style="list-style-type: none">•District office staff promote Program and recruit participants•Mentor awards subcontracts to protégé•Mentor invests in protégé•Mentors and protégés create joint ventures•Mentors and protégés compete successfully for government contracts•Protégés respond to additional business opportunities•Agencies meet small business contracting goals	<ul style="list-style-type: none">•Protégé increases annual revenue•Protégé improves profitability and longevity•Protégé increases capacity and ability to qualify for more contracts•Protégé increases number of jobs supported by its company•Agencies have increased diversity and competition in federal contracting

Source: OIG-generated based on selections from SBA's logic model for the program.

SBA Did Not Collect Sufficient Data to Accurately Measure Program Success

Although program officials identified outcome-focused performance measures, they did not collect sufficient data to accurately assess whether the program had its intended effect. OMB Circular A-11 states that leaders should establish measurable goals and conduct data-driven reviews that are critical for creating a results-oriented culture.¹³ Further, federal internal control standards require managers to use quality information to achieve their objectives. This requires that program officials ensure information is complete, accurate, accessible, and provided on a timely basis so that program officials can make informed decisions and evaluate its performance.¹⁴

¹³ Office of Management and Budget (OMB) Circular A-11, Part 6 (July 2017).

¹⁴ GAO-14-704G, Standards for Internal Control in the Federal Government (September 2014).

Although we found that program officials had established a process to collect and analyze outcome information through the annual evaluation process, they did not ensure that participants submitted annual evaluation reports containing outcome data. We found that program officials collected less than 24 percent of the data needed to determine the effectiveness of the program in its first year. Additionally, program officials did not verify the data that they collected from program participants was accurate and complete or analyze the results.

Program Officials Did Not Prioritize Staff and IT System Resources to Effectively Analyze Program Outcomes

As the program grew, program officials prioritized staff time on the application review process. Of the five staff members allocated to the program, three were assigned to the application review process, and the remaining two contributed a significant amount of their time to application review tasks.

Moreover, SBA did not ensure that certify.SBA.gov included the necessary functionality to support the program's annual evaluation process. SBA planned to develop the annual evaluation process in certify.SBA.gov to include electronic reporting for protégés to directly input their results into the system by October 2016, the start of the program. However, SBA did not develop the system to fully support this process. Instead, program officials told us that certify.SBA.gov was only able to alert participants that their annual evaluation was due and provide a link for participants to upload hard copies of answers to annual evaluation questions. As of April 2019, SBA still had not included the program annual evaluation process in certify.SBA.gov implementation. As a result of these weaknesses, program officials cannot reliably assess the results of the program.

We made recommendations in finding 2 for SBA to prioritize staff resources to ensure program officials conduct annual evaluations in accordance with program requirements and ensure that the IT system has the functionality required to conduct annual evaluations. These recommendations, if implemented, should ensure that program officials effectively monitor and evaluate program results.

Analysis of Agency Response

SBA management provided formal comments that are included in their entirety in appendix II. SBA management agreed with three recommendations but did not agree with one recommendation. We found that SBA's planned actions resolve three of the recommendations. In accordance with our audit followup policy, we will attempt to reach agreement with SBA management on the unresolved recommendation within 60 days after the date of this final report. If we do not reach agreement, OIG will notify the audit followup official of the disputed issues.

Summary of Actions Needed to Close the Recommendations

The following provides the status for the recommendations and the actions necessary to close them.

1. **Resolved.** SBA management agreed with our recommendation, stating that it had refined and documented its processes and policies. SBA management also stated that it will ensure the final standard operating procedures for the program describe the steps that have been established and implemented to ensure mentors are qualified to participate in the program. Further, management plans to issue a new Mentor-Protégé Agreement form to use as part of this determination. Management plans to complete final action on this recommendation by July 1, 2020. This recommendation can be closed once management demonstrates that it has implemented updated guidance to reflect its current application review and annual evaluation processes.
2. **Resolved.** SBA management agreed with our recommendation, stating that it will ensure that the final standard operating procedures for the program describe the steps used by program staff to document completion of the application and annual review processes. Management plans to complete final action on this recommendation by July 1, 2020. This recommendation can be closed once management demonstrates that it has implemented updated guidance that includes procedures to ensure quality and consistency in application reviews and annual evaluations, and requires adequate documentation to support completion of each step in the application review and annual evaluation processes.
3. **Unresolved.** SBA management did not agree with our recommendation, stating that it reserves the right to allocate resources as it deems appropriate to meet the regulatory and program requirements of the organization. However, management did not propose an alternative action that it believes would better address the issues presented in this report. We maintain our position on the importance of prioritizing staff resources to fulfill the program's requirements of regulatory reviews and annual evaluations. This recommendation can be closed once SBA management provides an alternative solution to resolve this recommendation.
4. **Resolved.** SBA management agreed with our recommendation, stating that it is developing steps to conduct application and annual evaluations to fulfill the functional requirements for the program. These steps include (1) revalidating and documenting functional and data requirements for the program and providing them to the director for staff coordination and approval, (2) developing a complete end-to-end workflow that delivers the approved functional requirements and program-specific analysis criteria, and (3) developing case management reporting to enhance management's ability to monitor quality and throughput.

Management plans to complete the final action on this recommendation by December 1, 2020. This recommendation can be closed once management deploys a case management system with the functionality needed for program officials to conduct application reviews and annual evaluations.

Appendix I: Objectives, Scope, and Methodology

This report presents the results of our evaluation of SBA's All Small Mentor-Protégé program. Our objectives were to determine whether SBA implemented effective controls to ensure (1) it conducted initial application reviews and annual evaluations in accordance with the All Small Mentor-Protégé program regulations and (2) it measured program success.

To answer our objective, we reviewed the Small Business Act, Federal Register Volume 81, Title 13 of the Code of Federal Regulations, and the National Defense Authorization Act of 2013. In addition, we reviewed SBA's FY 2019 Congressional Budget Justification and FY 2017 Annual Performance Report, SBA's draft standard operating procedures for the program, and the program website. We obtained an understanding of laws, regulations, and SBA policies and procedures regarding the program. Further, we interviewed program officials and staff to discuss the background, structure, and implementation of the program and the processes for conducting application reviews, conducting annual evaluations, and measuring program success.

From August 2016 through August 2018, the program received 762 participant applications. From this universe, we selected and reviewed a judgmental sample of 12 program applications that consisted of 9 approved applications and 3 declined applications that were submitted to the program. For our sample, program officials provided documentation from the program's information system, certify.SBA.gov, and case files maintained on the program's shared drive. We used a data collection tool, developed by the evaluation team, to assess whether the program had sufficient documentation to approve the mentor-protégé agreements. We also determined whether program officials properly completed and documented their assessments of the mentors and protégés.

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. Those standards require that we present factual data accurately, fairly, and objectively and present findings, conclusions, and recommendations in a persuasive manner. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Use of Computer-Processed Data

We relied on information obtained from the program office, including Excel spreadsheets based on data collected via certify.SBA.gov and SurveyMonkey. For the application cases in our sample, we compared the information in the Excel spreadsheets with information maintained in participant's case files and found minor discrepancies related to the application and approval process. For these discrepancies, we asked program officials to reconcile the information with documents in certify.SBA.gov, which revealed inconsistencies. Therefore, for the purposes of this evaluation, we believe the information is sufficiently reliable. For the annual evaluation information, program officials did not obtain complete information from program participants and did not verify information that was collected. Since our evaluation focused on whether program officials implemented their processes, the incompleteness of the information itself informed our findings and conclusions and we made a recommendation in this report to address the completeness issues.

SBA

ASSOCIATE ADMINISTRATOR,
OFFICE OF GOVERNMENT CONTRACTING AND
BUSINESS DEVELOPMENT

RESPONSE TO AUDIT REPORT



U.S. Small Business
Administration

TO: Hannibal M. Ware, Inspector General, Office of Inspector General (OIG)

FROM: Robb Wong, Associate Administrator, Office of General Contracting and Business Development (GCBD)

Barbara Carson, Deputy Associate Administrator, Office of Government Contracting and Business Development (GCBD)

Dr. Donna Peebles, Associate Administrator, Office of Business Development

Lori Gillen, Director, All Small Mentor-Protégé Program (ASMPP)

SUBJECT: Management Response to OIG Evaluation of SBA's All Small Mentor-Protégé Program

DATE: August 16, 2019

The Office of Government Contracting and Business Development (GCBD) appreciates the role the Office of Inspector General (OIG) plays in working with management in ensuring that our programs are effectively managed, and for the feedback provided in this draft report.

This draft report presents the results of OIG's evaluation of the All Small Mentor-Protégé Program (ASMPP), one of SBA's newest programs, launched on October 1, 2016. OIG determined that the procedures established during the formation of the program were generally effective, however, they noted that opportunities exist to refine and document these procedures and ensure their consistent application. In addition, OIG found that technological and human resource allocations to ASMPP have been insufficient to fully support the program.

Management generally concurs with three of the recommendations and does not concur with one.

Management would like to acknowledge the outstanding work that was completed by the ASMPP leadership and team at the start of the program to establish and document processes and procedures to firmly guide the program. More recently the team has demonstrated an exceptional level of rigor in refining and documenting its processes and policies as the program continues to evolve. In fact, many of the findings in the report had solutions well underway before the report was issued.

OIG made the following four recommendations and Management's responses to the recommendations in the draft report are noted as follows:

1. *We recommend that the Administrator require the Associate Administrator for the Office of Government Contracting and Business Development to develop and implement application review and annual evaluation procedures to ensure mentors are qualified, including implementing mandatory use of the mentor certification form.*

Management concurs with the recommendation.

GCBD will ensure the final Standard Operating Procedures for the ASMPP describe the steps that have already been established and are used by the team to ensure mentors are qualified to participate in the program. This will include utilization of the new Mentor Protégé Agreement form, currently in clearance with OGC for OMB approval. (Completion deadline: July 1, 2020)

2. *We recommend that the Administrator require the Associate Administrator for the Office of Government Contracting and Business Development to develop and implement procedures to ensure quality and consistency in application reviews and annual evaluations, including maintaining adequate documentation to support completion of each step in the application review and annual evaluation processes.*

Management concurs with the recommendation.

GCBD will ensure the final Standard Operating Procedures for the ASMPP describe the steps that have already been established and are currently used by the team to document completion of the required steps in the application and annual review processes. (Completion deadline: July 1, 2020)

3. *We recommend that the Administrator require the Associate Administrator for the Office of Government Contracting and Business Development to prioritize staff resources to ensure application reviews and annual evaluations are conducted in accordance with regulatory and program requirements.*

Management does not concur with this recommendation.

SBA Management continues to reserve the right to allocate resources as it deems appropriate to meet the regulatory and program requirements of the organization.

4. *We recommend that the Administrator require the Associate Administrator for the Office of Government Contracting and Business Development to ensure that certify.SBA.gov has the functionality needed for program officials to conduct application reviews and annual evaluations.*

Management concurs with this recommendation.

SBA is taking these steps to fulfill functional requirements for the ASMPP: 1) Revalidating functional and data requirements for the program by documenting them and providing to ASMPP Director for staff coordination and approval, 2) Performing development to deliver a complete end-to-end workflow that delivers the approved functional requirements and ASMPP-specific analysis criteria, and 3) Performing development of case management reporting to enhance management's ability to monitor quality and throughput. Per the

attached schedule, GCBD anticipates an ASMPP minimum viable product (MVP) deployment by the start of FY20/Q4 and completion by end of FY20. (Completion deadline: December 1, 2020)