Evaluation Report

OFFICE OF THE INSPECTOR GENERAL

DEPARTMENT OF DEFENSE PROCUREMENT TECHNICAL ASSISTANCE COOPERATIVE AGREEMENT PROGRAM

Report No. 97-007 October 18, 1996

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DEPARTMENT OF DEFENSE

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Acronyms

DCMAO	Defense Contract Management Area Operations
DLA	Defense Logistics Agency
PTAC	Procurement Technical Assistance Center
PTAP	Procurement Technical Assistance Cooperative Agreement Program
SBA	Small Business Administration
SBDC	Small Business Development Center
U.S.C.	United States Code

INSPECTOR GENERAL
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October 18, 1996

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND TECHNOLOGY
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Evaluation of the Procurement Technical Assistance Cooperative Agreement Program (Report No. 97-007)

We are providing this report for your information and use. We conducted the evaluation in response to a request from the Director, Defense Logistics Agency.

Management comments on a draft of the report were considered in preparing this report. The Defense Logistics Agency comments conformed to the requirements of DoD Directive 7630.3; therefore, additional comments are not required.

We appreciate the courtesies extended to the evaluation staff. Questions on the evaluation should be directed to Mr. Kenneth H. Stavenjord, Technical Director, at (703) 604-8952 (DSN 664-8952). If management requests, we will provide a formal briefing on the evaluation results. See Appendix J for the report distribution. The evaluation team members are listed inside the back cover.

David K. Steensma

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Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 97-007 **October 18, 1996**
(Project No. 5PT-5028)

Department of Defense Procurement Technical Assistance Cooperative Agreement Program

Executive Summary

Introduction. The Director, Defense Logistics Agency, requested an evaluation of the Procurement Technical Assistance Cooperative Agreement Program (PTAP), which has been under Defense Logistics Agency management since its inception in 1985. The PTAP is a cost-sharing program for State and local governments and other sponsors of Procurement Technical Assistance Centers (PTACs). The PTACs help businesses to successfully obtain and perform contracts with Federal, State, and local government agencies. We reviewed the PTAP requirements, FY 1995 application submissions, selection process, staffing, and funding.

Objective. Our objective was to assess PTAP value and effectiveness and to determine duplication of services provided by other federally funded organizations.

Evaluation Results. The purpose of the PTAP and the service locations of PTACs significantly overlap with those of the Small Business Development Centers funded by the Small Business Administration. As a result, the DoD spent $5.6 million in addition to the $12 million authorized by Congress in FY 1995 for procurement assistance that could be provided more appropriately and efficiently by the Small Business Administration (Finding A).

The competitive selection process for the award of PTAP cooperative agreements needs improvement. As a result, funding is not distributed equitably across the country and DoD is providing an increasing amount of supplemental funding (Finding B).

Actions Taken. In response to our evaluation results concerning the overlap of the purposes and locations of PTACs and Small Business Development Centers, the Defense Logistics Agency prepared an initiative that, if enacted by Congress, would have repealed the legislative requirement that the Defense Logistics Agency administer the PTAP and would have created the opportunity for the PTAP to be merged with the Small Business Development Center program. Congress rejected the initiative for FY 1997. The Defense Logistics Agency also initiated improvements in the management of PTAP (Appendix C).

Summary of Recommendations. We recommend that the Director, Defense Logistics Agency, resubmit the initiative to repeal United States Code, title 10, chapter 142, for the FY 1998 Defense Authorization Bill to be proposed by DoD.

We recommend that the Director, Defense Logistics Agency, give first preference for available Procurement Technical Assistance Program funding to acceptable statewide applicants.

Management Comments. The Director, Defense Logistics Agency, partially concurred with the finding and nonconcurred with the recommendation concerning resubmission of its initiative to repeal United States Code, title 10, chapter 142. The Director stated that the Defense Logistics Agency prepared an initiative in the FY 1997 Defense Authorization Act to repeal the program. The Senate and House Defense Committees rejected the repeal and increased funding for the program. The Director also stated that there were enough safeguards built into the PTAP to prevent double payment for the same services. Because the Senate and House Committees endorsed the PTAP and directed that the Defense Logistics Agency to continue to administer the PTAP, a repeal would appear to have little chance of acceptance in Congress. The Director also stated that the Defense Logistics Agency has improved the PTAP giving greater preference to statewide programs by revising applicant evaluation criteria.

Technical Evaluation Response. We agree that it is unlikely Congress would support or change in PTAP program responsibilities at this time. The Defense Logistics Agency actions concerning the statewide programs were responsive to our recommendation.

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Part I - Evaluation Results

Evaluation Background

The Procurement Technical Assistance Cooperative Agreement Program (PTAP) was initiated to provide a share of funding to eligible entities that were already providing or desired to begin providing procurement assistance to businesses by operating Procurement Technical Assistance Centers (PTACs), especially in areas of high unemployment. This assistance was originally intended to reduce unemployment by helping the businesses in those areas to successfully market their products and services to the DoD.

The PTAP was established by Congress in the Fiscal Year 1985 DoD Authorization Act, Public Law 98-525, codified in chapter 142, United States Code (U.S.C.), title 10, (10 U.S.C. 2411, through 10 U.S.C. 2419). The law specifies that the Director, Defense Logistics Agency (DLA), is responsible for managing the PTAP.

The FY 1993 Defense Authorization Act, Public Law 102-484, expanded the scope of PTAC responsibilities to include "technical assistance relating to contracts entered into with (1) Federal departments and agencies other than the Department of Defense, and (2) State and local governments."

This evaluation was performed at the request of the Director, Defense Logistics Agency. The Director requested that we review three areas of the PTAP: the PTAP awardee selection process, the effectiveness of the PTAP in achieving its purpose, and the effectiveness of the policies and procedures used to implement the PTAP.

Evaluation Objectives

The objective of our evaluation was to assess PTAP value and effectiveness and to determine duplication of services provided by other federally funded organizations. See Appendix A for a discussion of the scope and methodology. Appendix B summarizes prior coverage related to the evaluation objectives, and Appendix C summarizes management improvements of the PTAP.

Finding A. Procurement Assistance Overlap

PTACs and Small Business Development Centers (SBDCs) funded by the Small Business Administration have overlapping purposes and locations. The overlapping has occurred because the FY 1993 Defense Authorization Act expanded the PTAP scope to include procurement assistance to businesses pursuing contracts with State, local, and other Federal agencies. As a result, the DoD spent $5.6 million in addition to the $12 million authorized by Congress in FY 1995 for procurement assistance that could be provided more appropriately and efficiently by the SBA.

FY 1993 Authorization Act and PTAP Implementation

Expanded Program Focus. Before FY 1993, Congress specified that the PTAP was initiated to help businesses successfully market their products and services to the DoD. However, the FY 1993 Defense Authorization Act, Public Law 102-484, expanded the scope of PTAC responsibilities. Accordingly, DLA changed the purpose statements in its solicitations for the PTAP. Before FY 1993, the purpose statements stressed that:

> The objective of the PTA program [PTAP] is to assist eligible entities in providing marketing and technical assistance to business firms in selling their goods and/or services to DoD. Thus, the PTA program assists DoD in its acquisition goals. At the same time, it enhances the business climate and economies of the communities being served.

In FY 1993, the DLA solicitation purpose statement was changed in accordance with the FY 1993 Authorization Act:

> The PTA Program [PTAP] assists eligible entities in providing marketing and technical assistance to business firms in selling their goods and services to DoD, other Federal agency(ies), state(s) and/or local government(s). It also enhances the business climate and economies of the communities being served.

The FYs 1994 and 1995 versions of the PTAP purpose statements were changed further and now reflect the statutory description of a grant or cooperative

agreement, which is "to carry out a public purpose of support or stimulation . . . ." The DLA FYs 1994 and 1995 purpose statements for the PTAP solicitations specify that:

> The purpose of the PTA Cooperative Agreement Program [PTAP] is to generate employment and to improve the general economy of a locality by assisting business firms in obtaining and performing under Federal, state, and local government contracts.

In addition to the purpose statement, the FY 1995 PTAP solicitation included a list of the following nine mandatory service requirements for evaluation and awardee selection:

- Annual Program Goals,
- Procurement Outreach Program,
- Counseling Program,
- Marketing Opportunity Program,
- Client Information Program,
- Electronic Commerce and Electronic Data Interchange,
- Postaward Assistance Program,
- Contract Award Verification Program, and
- Client Satisfaction Program.

PTAC and SBDC Overlap

The PTAP has evolved to the point where its purposes and locations overlap those of the SBDCs.

Purposes of PTACs and SBDCs. The PTACs and the SBDCs are both responsible for providing information and assistance on contracting with Federal, State, and local governments as a method of generating employment.

The Small Business Administration (SBA) began the SBDC Program in 1977 as a pilot project to explore the feasibility of establishing a network of centers to deliver free assistance to small business owners. The Senate Small Business Committee initiated the Small Business Development Center Act of 1980 that was passed as part of the Small Business Administration Authorization Act for FY 1981, Public Law 96-302. That law is codified in 15 U.S.C. 648, Small Business Development Center Program Authorization.

The regulation implementing the enabling laws related to the SBDCs is 13 Code of Federal Regulations 130, which states, "The SBDC Program creates a broad-based system of assistance for the small business community by linking the resources of Federal, state and local governments with the resources of the educational community and the private sector." The latest SBDC Program Description Document, dated June 1995, states, "SBDCs provide high quality, free one-on-one counseling for existing and prospective small business owners [such as] specialized services in procurement . . . ."

The March 1996 SBDC Program Announcement Document states:

> SBDCs are encouraged to provide services that provide basic information needed by small business concerns interested in procurement opportunities in the Government arena.
>
> These services should include, but not be limited to, information on Government buying methods; the role of SBA procurement personnel located in SBA field offices and Federal Government purchasing activities; educating small businesses about the Federal government's move towards doing business by Electronic Data Interchange; marketing techniques; placement on agency bidders' lists and SBA's Procurement Automated Source System (PASS); preparation of bids and proposals; subcontracting opportunities; provide counseling and referral information concerning bidder's rights and obligations, appeal procedures, termination and default actions and advise on size criteria.
>
> SBDCs are also encouraged to provide help on contractual, financial and contract administration and to develop and/or maintain computerized systems that identify Federal, state and local procurement opportunities. SBDCs are also encouraged to seek funding from other Federal and state sources to enhance and expand procurement service throughout their networks.

Locations of PTACs and PTAC Subcenters. A total of 98 (45 percent) of all 217 PTACs and subcenters that received FY 1995-funded cooperative agreements are collocated with SBDC offices. Some PTACs use a combination of SBDC offices and other organizations or schools as subcenters. Overall, 151 (69 percent) of 217 PTACs and subcenters were collocated or in the same city as 1 or more SBDCs. (See Appendix D for more information on collocation of PTACs and SBDCs.) Although not all PTACs are organizationally joined to their collocated SBDC, some referral of clients and team counseling is taking place at those locations.

In addition, colleges and universities operate PTACs and SBDCs that are not collocated, but that work closely together. We identified SBDCs and PTACs that had the same name, but a different address. For example, the Director of George Mason University's SBDC in Fairfax, Virginia, relies on the university's PTAC organization to provide procurement assistance to his clients in Northern Virginia. The primary PTAC is located at the university's Manassas, Virginia, campus, which does not have an SBDC office. Most PTAC classes and seminars are co-sponsored with the SBDC and are conducted

by the PTAC staff in the George Mason SBDC offices in Fairfax and other SBDC locations in Northern Virginia. Many client counseling sessions are also conducted in SBDC offices, and about one-third of the SBDC clients have been assisted by both PTAC and SBDC counselors. The PTAC and SBDC directors stated that a merger of the two programs would not be a problem in Northern Virginia if Federal funding to pay about half of the salaries of the procurement professionals on the PTAC staff was not interrupted in the process.

PTAC Efficiencies

We evaluated the staffing numbers and costs described in the applications of the 65 PTACs that were competitively selected to receive FY 1995 funded cooperative agreements in September 1995. We excluded two American Indian PTACs that received noncompetitive awards. The applications were divided into statewide and less-than-statewide programs to determine their relative costs and organizational efficiencies. The evaluation showed that statewide PTACs are more cost-efficient, on average, than less-than-statewide PTACs. The DLA evaluation panel ranked statewide PTACs significantly higher overall than the less-than-statewide PTACs. Because the SBDCs are administered on a statewide basis, the PTAP would be more efficient if it was incorporated into the SBDC program.

PTAC Counselor Ratios. Average counselor salaries were slightly lower for statewide programs compared with less-than-statewide PTACs. Despite this lower cost per counselor, statewide PTACs allocated a larger percentage of total program cost to counselors than did less-than-statewide programs. Statewide PTACs averaged 5.1 full-time equivalent counselors per program compared with 1.7 counselors at less-than-statewide PTACs, or three times as many counselors. This ratio compares favorably with the $300,000 to $150,000 or two-to-one ratio of maximum Government funding of statewide compared to less-than-statewide PTACs permitted by 10 U.S.C. 2414. Also, the average program management to counselor ratio in the 65 PTAC applications evaluated was 1 to 3.2 for statewide PTACs, which is double the 1 to 1.55 ratio for less-than-statewide PTACs.

Program Management Cost. In addition to providing counselors at a lower average cost, statewide PTACs have a lower program management cost proportionately. Based on our review of the PTAC proposals, the average statewide PTAC program management costs were 12.6 percent ($66,638) of the average total statewide program costs. The average less-than-statewide PTAC program management costs were 21.2 percent ($45,781) of the average total less-than-statewide program costs.

One of the reasons for the low program manager to counselor ratio at less-than-statewide PTACs is the DLA requirement in the PTAP solicitation for a full-time program manager, whose salary is wholly paid from the PTAP budget. This requirement was added to ensure that one person would be clearly identified in funding applications as the PTAC manager, rather than having

several responsible managers in the sponsoring organization charge a portion of their salaries to the PTAP budget. However, the DLA requirement for a full-time manager at small, less-than-statewide PTACs is not always realistic. According to the information in their applications, several less-than-statewide PTACs have at least half of the available staff identified as the program manager and less than one full-time equivalent person devoted to counseling and other direct client services.

DoD Funding

Although $12 million is appropriated annually for the PTAP, the DLA obligated $17.2 million for the program in 1995. This increase of $5.2 million does not include the estimated $426,000 in staffing costs required to administer the competitive awardee selection process in 1995. The $426,000 cost to DLA does not include the amount spent by the Defense Contract Management Command for administration of the cooperative agreements. The Defense Contract Management Command could not provide us that amount. Additional details on PTAP funding are presented in Finding B.

Actions Taken

In response to our evaluation results concerning the overlap of PTAP and SBDC purposes and service locations, the DLA prepared an initiative to repeal 10 U.S.C., chapter 142. The DLA initiative was section 801 of the FY 1997 Defense Authorization Bill proposed by DoD. The supporting analysis for that section referred to our evaluation and explanation of the benefits of transferring the PTAP into the SBDC program at SBA. The analysis also refers to the receptiveness of the SBA in accepting the additional responsibility of that transfer if adequate additional funding is authorized for this purpose.

The Senate Armed Services Committee recommended, in section 801 of S. 1745, National Defense Authorization for FY 1997, that $12 million be provided again to DoD for continuation of the PTAP. Section 801 states that "The committee believes that the Department of Defense should continue to administer this program." In the Federal Acquisition Streamlining Act of 1994, the committee urges DoD to continue to utilize the PTACs to implement acquisition streamlining initiatives, such as electronic commerce. The House Small Business Committee recommended $18 million for continuation of the PTAP in H.R. 3230, National Defense Authorization for FY 1997.

Summary

The PTAP has evolved to the point where its purposes and locations overlap with those of the SBDCs. Both the PTACs and the SBDCs are responsible for providing information and assistance on contracting with Federal, State, and local governments as a method of generating employment. The DoD spent $5.6 million in addition to the $12 million appropriated for the PTAP in FY 1995. Statewide PTACs are more cost-efficient than less-than-statewide PTACs. The PTACs should be incorporated into the SBDC program because there is significant overlap of purposes and locations and because the SBDCs are administered on a statewide basis. Congress rejected the legislative initiative that would have repealed the legislative requirement that the DLA administer the PTAP.

Recommendation, Management Comments, and Audit Response

A. We recommend that the Director, Defense Logistics Agency, resubmit the initiative to repeal United States Code, title 10, chapter 142, for the FY 1998 Defense Authorization Bill to be proposed by DoD.

DLA Comments. The DLA nonconcurred, stating that the Senate and House Committees rejected repeal of the PTAP. The Committees endorsed the PTAP and were convinced that it would operate most effectively and efficiently under DLA auspices. Therefore, the initiative would appear to have little chance of acceptance by Congress.

Technical Evaluation Response. We agree that the recommendation would probably be unacceptable to Congress at this time.

Finding B. Competitive Selection Process

The competitive selection process for the award of PTAP cooperative agreements needs improvement. Revisions are needed because DLA is encouraging applicants to serve less-than-statewide areas and is making awards to all acceptable applicants. As a result, funding is not distributed equitably across the country and DoD is providing an increasing amount of supplemental funding.

Service Areas

Distribution of PTAP Funding. Congress requires that the annual funding appropriated for the PTAP be distributed as equally as possible to PTACs across the country. The statute on distribution, 10 U.S.C. 2415, states that the funds appropriated each year are to be distributed "equally to each Defense Contract Administration Services region." When that statute was added in 1985, the continental United States was divided into nine Defense Contract Administration Services regions. Since the Defense Contract Administration Services organization was replaced by the Defense Contract Management Command in 1990, the number of regions (now called districts) has been reduced to three in the continental United States. The number of districts will be further reduced to two in 1996.

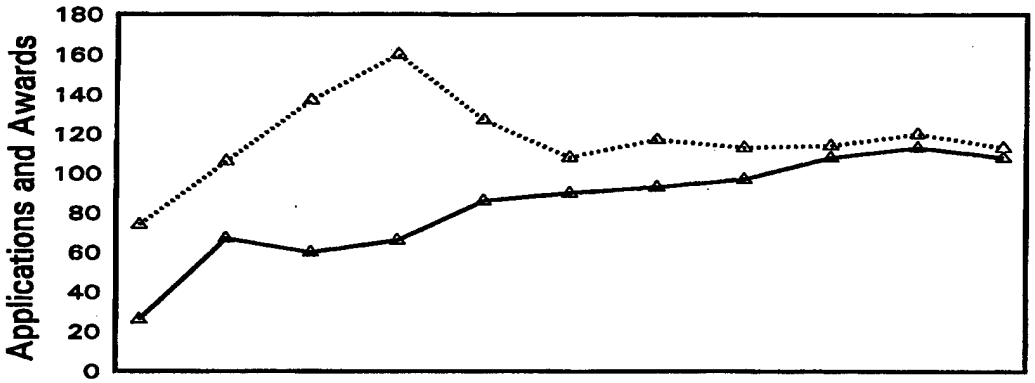
DLA Implementation Encourages Less-Than-Statewide PTAC Service Areas. The number of states and Puerto Rico with at least 1 PTAC increased from 20 in 1985 to a high of 49 in 1994. As shown on the map in Appendix E, all states except Colorado, Kansas, Massachusetts, and Wyoming and the District of Columbia have at least one PTAC. Most states have only one or two PTACs. However, because 10 U.S.C. 2414 is silent concerning limitations on the number of PTACs per state, DLA PTAP solicitations have allowed multiple (2 to 13) PTACs within a state to obtain cumulative funding in excess of the $300,000 limit (see Appendix F) for a PTAC statewide without necessarily providing assistance for the entire state.

In addition, DLA policy, as stated in the PTAP solicitation, requires that each PTAC organization serve a minimum of one county, regardless of the population of that county. The DLA policy in the solicitation has also allowed

PTACs to include up to 25 percent of the counties served by other PTACs in their service areas. In addition, prior to FY 1996, DLA had set a waiverable funding limit of $1.3 million per state. According to the PTAP manager, that high limit was set when the country was still divided into nine Defense Contract Administration Services regions, and not all regions had enough applicants to be able to spend an equal share of the annual authorized funding. Even though the limit was much too high to allow for an equitable distribution of the $12 million that Congress has annually authorized for the PTAP since FY 1993, the DLA has waived the limit each year since FY 1993. The FY 1996 PTAP solicitation contains no funding limit per state.

Because of the lack of funding restrictions in 10 U.S.C. 2414 and DLA policy on the number of independent PTACs that can operate in the same state, as well as the recent expressed desire by members of Congress to fund all minimally acceptable applicants, PTAP funding is not being distributed equitably, as required by 10 U.S.C. 2415. As shown in Appendix F, four states now have nine or more independently operated PTACs, not counting their subcenters, that provide less-than-statewide service. For example, Pennsylvania has 13 independent PTACs, with total funding of $1.5 million. That $1.5 million is 8.6 percent of the $17.2 million in total FYs 1995 and 1996 funding obligated for the 108 PTACs in operation. However, Pennsylvania has only 4.4 percent of the total labor force in the country, and there is no assurance that the less-than-statewide services offered by the 13 PTACs are available to the entire labor force population in Pennsylvania. Michigan has 12 independent PTACs with total funding of $1.0 million. Texas has 10 PTACs with total funding of $1.2 million, and Ohio has 9 PTACs, with total funding of $843,000. The total of $4.5 million received by those four states is 26.2 percent of the $17.2 million total for FYs 1995 and 1996.

All Acceptable Applicants Receive PTAP Awards. From the inception of the PTAP in 1985 to 1989, the Defense Contract Administration Support Region offices were responsible for evaluating PTAC applications for PTAP funding and for competitively awarding annual cooperative agreements. As shown in Figure 1, many acceptable applicants in those years did not receive cooperative agreement awards.



	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Acceptable Applications	74	106	137	160	127	108	117	113	114	120	113
Awards	26	67	60	66	86	90	93	97	108	113	108
Percentage	35	63	44	41	67	83	79	86	95	94	96

Figure 1. Comparison of Applications for PTAP Funding to Awards

From 1989 through 1994, the evaluation and ranking of applications was performed by one panel at DLA headquarters. The panel consisted of the two PTAP grants officers and six small business specialists or cost/price analysts from Defense Contract Management Area Operations offices (DCMAOs). Thus, all applicants compete for funding in just two nationwide categories: the General Program or the American Indian Program.

In 1995, two procurement analysts from the Office of the Deputy Director (Acquisition) and DLA and the DLA staff member most knowledgeable of electronic commerce/electronic data interchange were added to the evaluation panel. In 1995, the DLA evaluation panel performed an extensive evaluation of the applications. Two DLA procurement analysts conducted an initial screening of all applications for minimum acceptability. The analysts determined that all but 2 of the 114 applications were minimally acceptable, and 1 of those 2 was later determined to be acceptable. Therefore, an evaluation panel consisting of the two analysts, the six specialists from the DCMAOs, and a DLA expert on electronic commerce performed a thorough review and ranking of all 114 applications. As a result of the evaluation panel's ranking of all applicants and the $12 million in FY 1995 funding that had been authorized for the PTAP, only 67 of the 113 acceptable applicants received cooperative agreement awards in September 1995. For the reasons described below, all remaining PTAP applicants who were able to or were interested in operating a PTAC also received cooperative agreement awards in December 1995.

DLA Supplemental Funding. As shown in Figure 2 and Appendix G, the total amount of applications has increased because of the increases of less-than-statewide PTACs and because of the practice of awarding cooperative agreements to virtually all applicants for PTAP funding. However, Figure 2

and Appendix G also show that the amount of congressionally authorized funding has been less than the amount requested every year except FY 1990. In FY 1990, Congress directed that DLA spend up to $4 million of its Defense Stock Fund authorization to award cooperative agreements from the FY 1989 program year to all remaining acceptable PTAP applicants that had not received an award. Since FY 1991, the DLA has funded the increasing requirement for the PTAP by using its unobligated Operation and Maintenance funding at the end of each fiscal year to supplement the funding authorized by Congress.

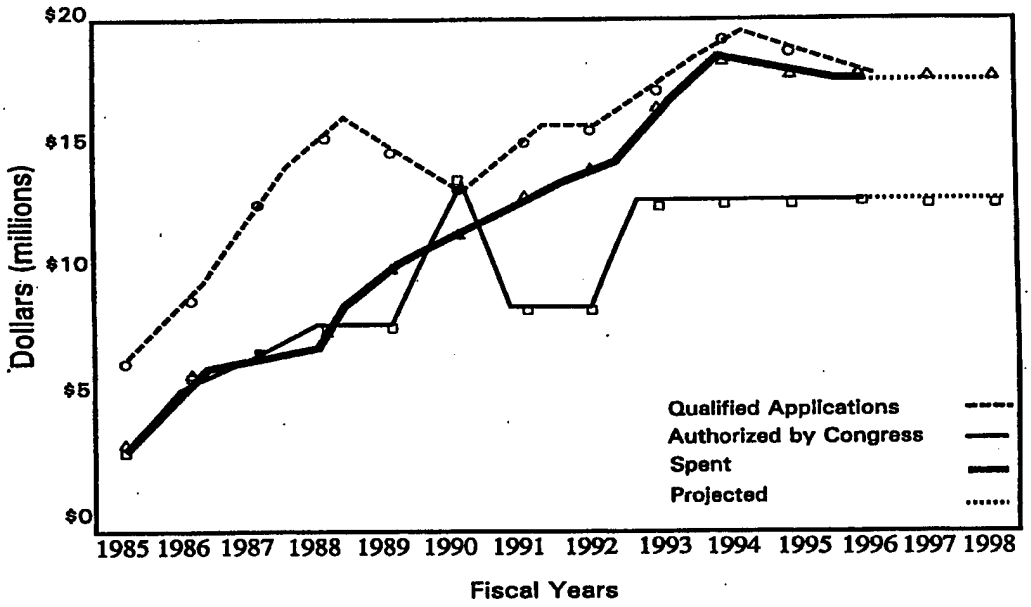


Figure 2. PTAP Applications and Expenditures Exceed Funding Authorized by Congress

In FY 1994, the total amount requested by 120 acceptable applicants was $18.6 million, while the annual funding appropriated by Congress remained at $12 million. The Director, DLA, authorized the use of an additional $5.9 million in unobligated FY 1994 Operation and Maintenance funds to award cooperative agreements to all acceptable General Program applicants that were interested in receiving awards and two of the six applicants for the American Indian Program, for a total of $17.9 million. For the awardee selection process completed in December 1995, however, a large reduction in Operation and Maintenance funding reduced DLA alternative sources of additional funds available for the PTAP. Therefore, 46 of the 113 acceptable applicants, all of which had received funding for at least one previous program year, were informed that their score in the competitive selection process was not high enough to receive continued funding in 1995. Nine of those forty-six applicants that did not receive funding were the single PTACs providing statewide services

in Delaware, Hawaii, Iowa, Massachusetts, Nebraska, North Carolina, Rhode Island, South Dakota, and Vermont. Other states, however, such as Michigan, Ohio, and Pennsylvania, each had as many as 7 PTACs among the top 67 applicants who were selected to receive FY 1995 funding.

The withholding of awards to 46 acceptable applicants for PTAP funding resulted in numerous telephone calls and 1 or more letters from 58 members of Congress to the Director, DLA, and the Under Secretary of Defense (Comptroller). One of those letters, from the Chairman of the House Subcommittee on National Security, Committee on Appropriations, to the Director, DLA, and the Under Secretary of Defense (Comptroller) stated that DoD should identify an additional $6 million in Operation and Maintenance funds for all minimally acceptable applicants for the FY 1995 program year, regardless of competitive standing. In addition, a letter signed by 20 senators to the Senate Subcommittee on Defense, Committee on Appropriations, urged that $5 million of the DoD FY 1996 appropriation be shifted to the PTAP during conference negotiations. However, no such shift in funds occurred.

To satisfy the expressed desire of members of Congress that all minimally acceptable applicants be awarded a cooperative agreement, the Director, DLA, and Under Secretary of Defense (Comptroller) replied that their only course of action was to use PTAP funding appropriated for FY 1996, which would normally not have been obligated until September 1996, to fund the remaining applicants for the FY 1995 PTAP. As a result, all 41 of the remaining 46 applicants that were still able to or were interested in operating a PTAC received cooperative agreements in late December 1995, regardless of their competitive ranking by the DLA evaluation panel. This action negated the work of the panel in determining which applicants would receive an award for what DLA refers to as the FY 1995 program year. There are now 108 cooperative agreements in effect, totaling $17.2 million.

DoD Supplemental Funding. The Under Secretary of Defense (Comptroller) informed the Chairman of the House Subcommittee on National Security on February 1, 1996, that a reprogramming request will be submitted "to ensure that adequate additional funds are available in FY 1996 to finance PTAP requirements." As shown in Figure 2, if the total amount of funding requested by acceptable applicants and authorized by Congress remains unchanged, DLA will continue to need an additional $5.2 million in Operation and Maintenance funds in order to make annual awards to all the PTACs that Congress wants to have in operation. Additionally, if the DLA policy concerning the number of independent PTACs that can operate in the same state remains unchanged, the number of acceptable applicants and the total funding requirement may continue to increase.

DLA Staff Costs. In addition to the above $5.2 million, the DLA spent an estimated $426,000 in staffing costs in 1995 related to the awardee selection process. The estimated cost was based on information provided by the Director, DLA; Small and Disadvantaged Business Utilization; and the Deputy General Counsel, DLA. The $426,000 was not deducted from the $12 million PTAP appropriation for FYs 1995 or 1996, although authorized by 10 U.S.C. 2417. Also, the $426,000 estimate does not include the cost of the oversight

and administration the DCMAO small business specialists, cost/price analysts, property administrators, and administrative contracting officers provide to the PTAP manager. The Defense Contract Management Command could not provide information on the number of DCMAO staff or the number of hours devoted to the administration of the assigned PTACs.

Summary

There are two primary reasons why the competitive selection process for the award of PTAP cooperative agreements needs improvement. First, DLA policies in the PTAP solicitation encourage an almost unlimited number of organizations from the same state to apply for PTAP funding. The number of PTACs operating in one state has not been considered in the PTAP evaluation and award process. Second, in response to the expressed desire from members of Congress that each of the PTACs in their state or congressional district receive PTAP funding, DLA is awarding cooperative agreements to all acceptable applicants. As a result, PTAP funding is not being distributed in accordance with 10 U.S.C. 2415. DLA has been providing an increasing amount of the total funds spent for PTAP cooperative agreements, even though the purpose of the PTAP has expanded so that PTACs assist their business clients in obtaining contracts from non-DoD Federal Agencies and State and local governments in addition to DoD contracts.

Recommendation, Management Comments, and Audit Response

B. We recommend that the Director, Defense Logistics Agency, give first preference for available Procurement Technical Assistance Program funding to acceptable statewide applicants. Suggested solicitation language is in Appendix H.

DLA Comments. The DLA nonconcurred and stated that recent improvements made to PTAP included giving greater preference to statewide programs by revising applicant evaluation criteria.

Technical Evaluation Response. The DLA actions were responsive to the recommendation.

Part II - Additional Information

Appendix A. Scope and Methodology

PTAP Awardees for the FY 1995 Program Year. We performed a cost analysis of the applications submitted by all the 65 top-rated PTACs that were competitively awarded PTAP funding in September 1995 from the $11.4 million that Congress authorized for the PTAP in FY 1995. We excluded the two American Indian organizations that were each provided noncompetitive awards of $300,000, or one half of the $600,000 authorized for them in FY 1995. We were told at the beginning of the evaluation that there would be no unobligated FY 1995 DLA funds to make additional awards to the remaining 46 acceptable applicants. Therefore, we also excluded those 46 applications from our analysis. The Director, DLA, did not decide until November 1995 to make additional, noncompetitive awards to all remaining acceptable applicants for the 1995 program using FY 1996 PTAP funds.

We reviewed the 65 awardees' applications to determine which PTACs offered statewide procurement assistance services and which offered less-than-statewide services. We reviewed the resumés and description of duties in the applications to determine the number of staff members performing program management duties compared to the number performing procurement counseling and related direct client services. We made those determinations as well as determined the salaries of counselors at some subcenters based on the information available in the applications. We classified the professional staff members proposed by each applicant as either a part of program management or as a procurement counselor. Where identified, the percentage of the program managers' time and salary devoted to counseling were included in the counselor computation. Many PTAC staff members were also identified as part-time because they performed both PTAC and non-PTAC duties. We added the percentages of time listed for each employee to determine the number of full-time equivalent counselors. We reviewed the budget portion of each application primarily to do an evaluation and comparison of staff costs to total program costs at each PTAC.

We supplemented this analysis with interviews of the Director, and Deputy Director, Small and Disadvantaged Business Utilization, DLA. We also interviewed the PTAP manager, the two grants officers assigned to execute the program, several DCMAO deputies for small business, and others responsible for administration of the agreements with PTACs.

We also interviewed 34 PTAC managers and counselors. The primary purposes of those interviews were to determine the procurement skills and experience of those individuals, how they used their skills and experience to provide technical assistance to clients, their physical and organizational relationship with SBA-funded SBDCs and other business assistance organizations with which they are affiliated, and their opinions on the pros and cons of merging the PTAP into the SBDC Program.

Use of Computer-Processed Data. We did not perform tests of the reliability of computer-processed data. The only such data that we received were the compilation of statewide and nationwide program results for FY 1991. Backup records for that compilation had already been archived by the time our evaluation started. Any errors in the data would not have affected the findings and recommendations of this evaluation.

Evaluation Period and Locations. We performed this evaluation from April 1995 through May 1996. Appendix I lists the organizations we visited or contacted.

Appendix B. Summary of Prior Evaluations and Other Reviews

General Accounting Office Fact Sheet No. GGD-95-3FS (OSD Case No. 9000.22) "Federal Programs that Provide Management and Technical Assistance" October 14, 1994, stated that no specific Federal office tracked or coordinated all the various business management and technical assistance programs at the Government agencies. The fact sheet identified 24 federally sponsored Government programs, administered by 7 agencies, that provided management and technical assistance in FY 1994. The majority of the programs were targeted to small businesses. The SBA Small Business Development Center program had the largest budget ($71 million) and the most locations (956 centers and subcenters). No recommendations were made and no response was required.

General Accounting Office Report No. NSIAD-91-243 (OSD Case No. 8791) "Improvements Needed in Procurement Technical Assistance Program," September 20, 1991, states that PTACs are duplicating some services already offered by other organizations, but did not offer an opinion as to the extent of the duplication or the overall effectiveness of the PTAP. The report also states that DLA did not have accurate performance data, client-provided data on center assistance, and sufficient training for its PTAC reviewers.

The report recommends that the Director, DLA, reemphasize to the PTACs the need for submitting complete and accurate data, require all centers to obtain information from their clients on the assistance provided, and improve its training program for DLA reviewers responsible for evaluating PTAC performance. The DLA concurred with all recommendations and stated that it had initiated actions to implement the recommendations.

Digital Systems Research, Incorporated, under contract DLA600-94-H-5453, published the report, "Review of the Department of Defense Procurement Technical Assistance Cooperative Agreement Program," dated May 1995. Consultants from Digital Systems Research, Incorporated, visited 10 PTACs. Digital Systems Research, Incorporated, reported that the sample demographics included PTACs from four sections of the country; statewide PTACs and less-than-statewide PTACs; private, non-profit corporations; and program funding that varied from small amounts to the maximum amounts. The sample represented PTACs ranked from 1 to 107. The report states that the PTAP was essentially fulfilling its statutory mission, that it did not duplicate other assistance programs, and that 96 percent of its clients were small and small disadvantaged businesses. The consultants did not substantiate how they determined that the PTAP did not duplicate other programs.

The report made recommendations for improvements to the statement of work (minimum service requirements), evaluation process, reporting requirements, center operations, and DLA control and oversight. Specific recommendations include: use of multiyear awards, electronic reporting, changes in the evaluation criteria, and providing more flexibility to PTACs in reallocating funds.

The DLA provided no written comments on the report. However, based on the recommendations, the 1996 PTAP solicitation was changed to a base year plus option years award format. Also, the DLA is making changes to the PTAP award evaluation criteria based on recommendations by Digital Systems Research, Incorporated.

Appendix C. Management Improvements of the Procurement Technical Assistance Program

FY 1996 PTAP Solicitation Changes. The DLA PTAP manager announced several changes to the application and awardee selection process in the latest solicitation, published on April 5, 1996. Those changes are intended to simplify and streamline the process. For example, the number of minimum service requirements have been consolidated, and the DLA has inserted evaluation criteria that closely parallel the standard criteria for services contracts in the PTAP solicitation; that is, past performance (existing programs only), management, technical qualifications, and cost realism. In addition, the DLA will evaluate the percentage of the labor force population and the geographical area of a state to be served. The DLA will also use adjectival ratings (highly acceptable to unacceptable) instead of numerical ratings and will extend the effective period of agreements from 1 to 3 years, through the use of options in the second and third years.

As a result of our discussions with the PTAP manager during the evaluation, the cost realism criteria include a requirement that applicants provide information on the amount to be spent on program management and counselor salaries. The solicitation reflects other suggestions and recommendations that we made during the evaluation. For example, the solicitation now requires PTACs to describe in their applications the number of jobs generated or retained in their service areas as a result of contract and subcontract awards received by their clients. At our suggestion, the solicitation also addresses the increasing number of independent PTACs operating in some states with an evaluation factor that will consider the percentage of the state's total geographical area and demographic characteristics that each applicant proposes to serve. In addition, the solicitation describes a new cost realism evaluation factor, with a requirement for applicants to describe how they intend to control program management costs and to focus their resources on providing procurement assistance to their clients.

Employment Data. We could not determine the effectiveness of the PTAP in achieving its purpose. As mentioned in Finding A, the primary purpose of the PTAP is, like the SBDC program, to generate employment and to improve the economy. However, DLA has not required the PTACs to obtain or report information on the number of jobs created or retained as a result of the Government contracts and subcontracts held because of PTAC assistance to its clients. In contrast, the SBA received employment and other economic information from its SBDCs, including the accomplishments of PTAC counselors who are collocated or work in coordination with the SBDCs.

We worked with the DLA PTAP manager in writing a requirement for PTACs to provide employment information in the FY 1996 PTAP solicitation because the solicitation language describes the PTAP as an employment program. This information may overlap the employment information being reported by the SBDCs to SBA in some states.

DCMAO Evaluation of the PTACs. In 1991, the General Accounting Office reported that not all PTACs were obtaining client-provided data to substantiate the accuracy of the contract and subcontract awards the PTACs reported on Procurement Technical Assistance Cooperative Agreement Performance Reports, DLA Forms 1806. The FYs 1995 and 1996 PTAP solicitations require that PTACs have signed statements on file from their clients, showing the number and amounts of contracts and subcontracts obtained as a result of the assistance provided by the PTAC staff. Not all DCMAO staff are verifying that PTACs have these signed statements from their clients on file or that data on the DLA Forms 1806 are accurate. A February 8, 1994, letter from the Deputy Director (Acquisition), DLA, requires DCMAO small business personnel to review PTAC files to verify the accuracy of DLA Forms 1806 data and to serve as the team coordinator for PTAC performance reviews. DLA Directive 5000.4, part IV, chapter 7, March 6, 1995, requires an on-site visit to each PTAC at least annually to answer questions, provide advice on proper completion of the DLA Forms 1806, and to review PTAC files to verify the accuracy of DLA Forms 1806 data. DLA Directive 5000.4 also requires that a comprehensive report of the areas reviewed and observations and recommendations made during each site visit be prepared and submitted through the Defense Contract Management District to the PTAP manager. The 64 DCMAO reports of those visits that we obtained from 1995 PTAP applications ranged from a 1-page summary of information on the DLA Forms 1806 and the dates each report was received to a standard 18-page checklist developed by the Associate Director for Small Business, Defense Contract Management District, South, which is being closed in 1996. Only one third of the DCMAO reports that we reviewed stated that a verification of the accuracy of the data on DLA Forms 1806 had been performed. Most of those were from Defense Contract Management District, South.

The PTAP manager agreed that additional emphasis on the content of DCMAO evaluations of the PTACs is needed if the PTAP is not transferred to the SBA.

Submission of DLA Forms 1806 and DCMAO Evaluation Reports on PTAC Site Visits. The PTAP manager stated that he did not receive the DLA Form 1806 performance reports or the DCMAO PTAC evaluation reports, after approval by cognizant administrative contracting officers. As a result, the most recent consolidated report of nationwide PTAP results is from FY 1991. The PTAP manager agreed that he will work with the Defense Contract Management Command staff at DLA headquarters to obtain both past and future DLA Forms 1806 and evaluation reports in a timely manner.

The timely receipt of the reports will allow earlier detection of marginal or unsatisfactory PTAC performance and unsolved problems. Timely receipt of the reports will also facilitate PTAP trend analysis and other management reports.

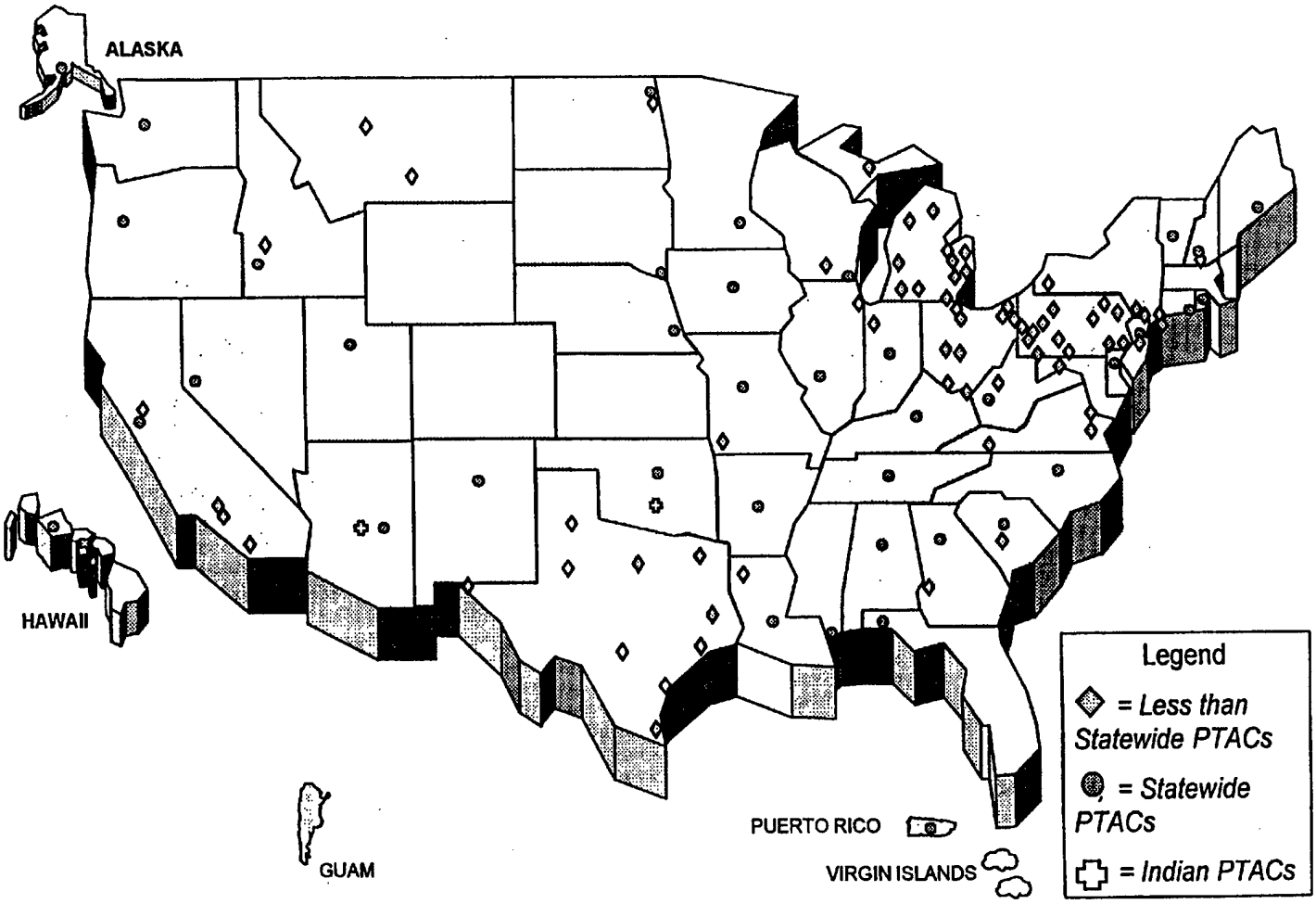
Appendix D. Location of FY 1995 PTACs, PTAC Subcenters, and Collocated SBDCs

	Number	Percentage
Total PTACs (FY 1995 Funding)	67	
Total PTAC subcenters (FY 1995 Funding)	150	
Combined total PTACs and subcenters (FY 1995 Funding)	**217**	
PTACs and SBDCs collocated	21	31
PTAC subcenters and SBDCs collocated	77	50
Total PTACs and subcenters collocated with SBDCs	**98**	**45**
PTAC and subcenters not collocated, but in same organization as SBDCs	3	1
Total PTACs and subcenters collocated or in same organization as SBDCs	**101**	**47**
Other PTACs located in the same city as one or more SBDCs	23	34
Other PTAC subcenters located in the same city as one or more SBDCs	30	23

Appendix D. Location of FY 1995 PTACs, PTAC Subcenters, and Collocated SBDCs

	Number	Percentage
Total other PTACs and subcenters located in the same city as one or more SBDCs	**53**	**25**
Combined total PTACs and subcenters collocated or in the same city as one or more SBDCs	**151**	**69**

Appendix E. Statewide and Less-Than-Statewide Procurement Technical Assistance Centers



Appendix F. Total Number of PTACs and DLA Funding by State as of May 1996

State	Number of PTACs	Amount of DLA Funding
Alabama	1	$300,000
Alaska	1	$262,945
Arizona	2	$600,000
Arkansas	1	$234,314
California	5	$825,000
Connecticut	1	$300,000
Delaware	1	$283,494
Florida	1	$300,000
Georgia	2	$349,502
Hawaii	1	$213,322
Idaho	1	$99,136
Illinois	2	$379,656
Indiana	2	$418,990
Iowa	1	$90,367
Kentucky	1	$177,000
Louisiana	2	$409,624
Maine	1	$300,000
Maryland	1	$99,879
Michigan	12	$1,009,614

Appendix F. Total Number of PTAC and DLA Funding by State as of May 1996

State	Number of PTACs	Amount of DLA Funding
Minnesota	1	$197,516
Mississippi	1	$248,882
Missouri	2	$450,000
Montana	2	$192,726
Nebraska	1	$127,200
Nevada	1	$300,000
New Hampshire	1	$100,663
New Jersey	2	$430,613
New Mexico	1	$250,481
New York	5	$616,325
North Carolina	1	$299,938
North Dakota	1	$76,662
Ohio	9	$843,348
Oklahoma	2	$600,000
Oregon	1	$243,142
Pennsylvania	13	$1,455,005
Puerto Rico	1	$246,000
Rhode Island	1	$157,880
South Carolina	1	$118,050
South Dakota	1	$196,352
Tennessee	1	$198,283
Texas	10	$1,214,463

Appendix F. Total Number of PTACs and DLA Funding by State as of May 1996

State	Number of PTACs	Amount of DLA Funding
Utah	1	$300,000
Vermont	1	$110,698
Virginia	3	$410,620
Washington	1	$300,000
West Virginia	2	$384,026
Wisconsin	2	$439,741
Total	**108**	**$17,161,538**

Appendix G. Comparison of PTAP Applications, Congressional Funding, and DLA Expenditures

Fiscal Years	Applications (Millions)	Funding (Millions)	DLA Added (Millions)	Spent (Millions)
1985	$5.6	$2.0	$0.3	$2.3
1986	8.1	5.0	0.1	5.1
1987	12.0	6.0	0.0	5.9
1988	14.7	7.7	0.0	6.8
1989	14.1	7.0	0.0	9.3
1990	12.6	13.0	0.0	10.6
1991	14.5	9.0	3.3	12.3
1992	15.0	9.0	4.4	13.4
1993	16.6	12.0	3.9	15.9
1994	18.6	12.0	5.9	17.9
1995	18.0	12.0	0.0	17.2
1996	17.2[1]	12.0	5.2[2]	17.2[2]
1997	18.0[3]	18.0	0.0	18.0[3]
1998	18.0[3]	18.0[3]	0.0	18.0[3]

[1]Estimated amount of acceptable applications for FY 1996 is based on total amounts of cooperative agreements with PTACs now operating.

[2]Estimated amount to be added and spent by DLA in FY 1996 for the PTAP is based on the estimates described in footnote 1.

[3]Estimated amount based on the $18 million FY 1997 congressional appropriation and its continuation in FY 1998.

Appendix H. Multi-Step Evaluation and Ranking Plan

The suggested changes to the PTAP solicitation, referenced in Recommendation B. to implement a multi-step evaluation and award process follows.

Step One-Total Funding Per State. Total funding for a given state will be determined by dividing the total program year funding available for the PTAP by the number of states that submitted applications rated at least marginally acceptable (to include statewide and less-than-statewide applications).

Step Two-Funding of Statewide Applications. If insufficient funding is available for all applications rated marginally acceptable or above, all statewide applicants rated highly acceptable or acceptable will be funded first, to the extent that funding is available, prior to funding less-than-statewide applicants.

Step Three-Distribution of Remaining Program Year Funding. If no statewide application rated highly acceptable or acceptable is received from statewide applicants, less-than-statewide applications rated highly acceptable or acceptable from that state will be given priority over less-than-statewide applicants from states that also have highly acceptable or acceptable statewide applicants, but only to the extent the funding limit determined in Step One is not exceeded. When the funding limit is reached, the remaining less-than-statewide proposals from such states will be rank ordered with less-than-statewide proposals from all other states. Any marginally acceptable applicants who receive funding will not be guaranteed the full amount of funding that the applicant has requested.

Appendix I. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense, Comptroller, Washington, DC
Deputy Under Secretary of Defense, Acquisition Reform, Washington, DC
  Director, Electronic Commerce in Contracting, Washington, DC
  Director, International and Commercial Systems Acquisition, Washington, DC

Other Defense Organizations

Defense Logistics Agency
  Deputy Director (Acquisition), Fort Belvoir,VA
  General Counsel, Fort Belvoir, VA
  Comptroller, Fort Belvoir, VA
  Director, Small and Disadvantaged Business Utilization, Fort Belvoir, VA
  Staff Director, Congressional Affairs, Fort Belvoir, VA
Defense Contract Management Command, West, El Segundo, CA
Defense Contract Management Area Operations
  Baltimore, MD
  Seattle, WA
  Birmingham, AL
  Twin Cities, MN

Non-Defense Federal Organizations and Individuals

General Counsel, House Committee on Small Business, Washington, DC
Small Business Administration, Washington, DC
  Associate Administrator, Small Business Development Center Program, Washington, DC
Small Business Administration District Office, Portland, OR
Small Business Administration District Office, Seattle, WA

Non-Government Organizations

Alaska
  University of Alaska Fairbanks Procurement Technical Assistance Center, Fairbanks, AK
  University of Alaska Anchorage, Anchorage, AK

Arizona
  Aptan, Incorporated, Scotsdale, AZ

California
  California Central Valley Contract Procurement Center, Merced, CA
  Procurement Technical Assistance Center, Juneau, AK
  Softshare Information Services, Santa Barbara, CA

Non-Government Organizations (cont'd)

Connecticut
Seatech, Groton, CT
Science Park Development Corporation, New Haven, CT

Florida
Florida PTA Program, Pensacola, FL
University of South Florida PTA, Tampa, FL

Georgia
Georgia Procurement Assistance Center, Atlanta, GA

Indiana
Indiana Small Business Development Corporation, Indianapolis, IN

Louisiana
Louisiana Productivity Center, Lafayette, LA

Maine
Eastern Maine Market Development Corporation, Bangor, ME

Michigan
Michigan Jobs Commission Small Business Services, Lansing, MI

Missouri
Missouri Procurement Assistance Center, Columbia, MO

New Jersey
Rutgers Graduate School of Management, Newark, NJ

New York
Suffolk County Department of Economic Development, Hauppauge, NY
Long Island Development Corporation Procurement Technical Assistance Program, Carle Place, NY

North Dakota
North Dakota Procurement Assistance Center, Fargo, ND

Ohio
Greater Cleveland Growth Association, Cleveland, OH

Oklahoma
Oklahoma Department of Vocational and Technical Education, Tinker Air Force Base, OK

Non-Government Organizations (cont'd)

Oregon
- Government Contract Acquisition Program, Eugene, OR
- Portland Development Commission, Portland, OR
- Small Business Development Center Portland Community College, Portland, OR
- Portland Community College Small Business International Trade Program, Portland, OR
- Bureau of Purchases and Stores, Portland, OR

Pennsylvania
- Northwest Pennsylvania Regional Planning and Development Commission, Franklin, PA
- Southeast Pennsylvania Procurement Technical Assistance Program, University of Pennsylvania, Philadelphia, PA

South Carolina
- Frank L. Rodney Small Business Development Center, University of South Carolina, Columbia, SC

Texas
- Panhandle Regional Planning Commission, Amarillo, TX
- University of Texas at Arlington, Automation and Robotics Research Institute, Fort Worth, TX
- University of Houston, Texas Information Procurement Service, Houston, TX
- Texas Technical University, Lubbock, TX

Virginia
- Northern Virginia Small Business Development Center, George Mason University, Fairfax, VA
- Procurement Technical Assistance Program, George Mason University, Manassas, VA
- Crater Planning District Commission, Petersburg, VA

Washington
- Economic Development Council of Snohomish County, Everett, WA
- South Seattle Community College, Seattle, WA
- Columbia River Economic Development Council, Vancouver, WA
- Washington State University Small Business Development Center, Vancouver, WA

West Virginia
- Regional Contracting Assistance Center, Charleston, WV
- Procurement Technical Assistance Center, Fairmont, WV

Appendix J. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
  Deputy Under Secretary of Defense (Acquisition Reform)
  Director, Defense Procurement
  Director, Small and Disadvantaged Business Utilization
  Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
  Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Office of Federal Procurement Policy
Technical Information Center, National Security and International Affairs Division, General Accounting Office
Director, Small Business Administration
  Inspector General, Small Business Administration

Non-Defense Federal Organizations and Individuals (cont'd)

Chairman and ranking minority member of each of the following congressional committees and subcommittees

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Senate Committee on Small Business
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security
House Committee on Small Business

Part III - Management Comments

Defense Logistics Agency Comments

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221

IN REPLY REFER TO DDAI

AUG 26 1996

MEMORANDUM FOR THE ASSISTANT INSPECTOR GENERAL FOR AUDITING, DEPARTMENT OF DEFENSE

SUBJECT: Draft Report on the Procurement Technical Assistance Cooperative Agreement, 5PT-5028

Enclosed is our response to your request of 17 June 1996. If you have any questions please call Dave Stumpf, 767-6266.

Oliver E. Coleman

Encl

OLIVER E. COLEMAN
Acting Chief, Internal Review Office

Federal Recycling Program Printed on Recycled Paper

Subject: Evaluation of the Procurement Technical Assistance Cooperative Agreement
Project No. 5PT-5028

Finding: A. PTACs and Small Business Development Centers (SBDCs) funded by the Small Business Administration have overlapping purposes and locations. The overlapping has occurred because the FY 1993 Defense Authorization Act expanded the PTAP scope to include procurement assistance to business pursuing contracts with State, local, and other Federal agencies. As a result, the DoD spent $5.6 million in addition to the $12 million authorized by Congress in FY 1995 for procurement assistance that could be provided more appropriately and efficiently by the SBA.

DLA Comments: Partially Concur. While there may be some duplication of effort, we believe sufficient safeguards have been built into the PTA program to prevent the Government from paying twice for the same services. The $5.6 million in additional FY 95 monies which were expended were not as a result of any degree of duplication. Rather, the money was committed to fund programs that had submitted acceptable proposals. That approach was taken as a result of unmistakably strong support by Congressional leadership that all eligible programs be funded.

Some PTA recipients and SBDCs have been co-located since 1985 and have occasionally used the same personnel on a shared basis. However, even in such instances the proportionate share of costs for personnel and other resources expended are allocated to the respective program. SBDC funds and other resources cannot be used to support the PTA program and vice versa. Further, the PTA solicitations state that recipients of PTA cooperative agreements are required to maintain records adequate to reflect the nature and extent of their costs and expenditures, and to insure that the required cost participation is achieved. Also, PTA recipients are required to report their semi annual accomplishments on the Procurement Technical Assistance Cooperative Agreement Performance Report (DLA Form 1806).

SBDC enabling legislation was amended, 1993, to authorize SBDCs to provide procurement technical assistance for which the PTA program has been providing since 1985. The change in SBDC legislation did not appear to alter the level of participation by applicants with SBDCs. PTAs and SBDCs continue to work well together in their efforts to serve the public and there does not appear to be a significant amount of duplication of effort during program execution.

Each FY, lessons learned are used to improve the program. The enabling legislation for the PTA program was amended in FYs 1992 and 1993 to authorize PTA centers to assist businesses in their efforts to market their products and services to other Federal Agencies and state and local governments, respectively. Only administrative changes were made to the program to incorporate this change in scope. Additionally, the number of proposals received each year did not vary significantly.

FY	Proposals Received	Awards
90	108	90
91	117	93
92	113	97
93	114	108
94	120	113
95	113	108

The proposals received were competitively evaluated and a recommended award list was developed within funding constraints. However, due to changes in the environment, external to this Agency, additional awards were made in FY 1995. Thus, the expansion of the PTAP scope to include procurement assistance to business pursuing contracts with State, local, and other Federal agencies did not cause the DoD to spend $5.6 million in addition to the $12 million authorized by Congress in FY 1995 for procurement assistance.

The purpose of the PTAP, defined by statute, has not changed since the program's inception, FY 85. Title 10, Chapter 142, Section 2412, defines the PTA program purpose as:

a. Increasing Department of Defense Assistance for eligible entities furnishing procurement technical assistance to business entities ; and

b. Assisting eligible entities in the payment of the costs of establishing and carrying out new procurement technical assistance programs and maintaining existing procurement technical assistance programs.

The FYs 1994 and 1995 Solicitations for Cooperative Agreement Proposals defined the program's purpose as generating employment and to improve the general economy of a locality by assisting business firms in obtaining and performing under Federal, state and local government contracts.

The FY 1996 Solicitation for Cooperative Agreement Applications corrected the statement of program purpose set forth in the FYs 1994 and 1995 Solicitations for Cooperative Agreement Proposals. The FY 1996 statement describes the program purpose as:

a. Generating employment and to improve the general economy of a locality by assisting business firms in obtaining and performing under Federal, state and local government contracts;

b. Increasing DoD assistance for eligible entities furnishing PTA to business entities ; and

c. Assisting eligible entities in the payment of the costs of establishing and carrying out new PTA programs and maintaining existing PTA programs.

ACTION OFFICER: Sim C. Mitchell
PSE APPROVAL: Lloyd C. Alderman, Director, Small & Disadvantaged Business Utilization
COORDINATION: Dave Stumpf, DDAI, 767-6266

DLA APPROVAL:

RAY E. McCOY
Major General, USA
Principal Deputy Director

Subject: Evaluation of the Procurement Technical Assistance Cooperative Agreement Program
Project No. 5PT-5028

Recommendation A: We recommend that the Director, Defense Logistics Agency, re-submit their initiative to repeal 10 U.S.C., chapter 142, for the FY 1998 Defense Authorization Bill to be proposed by DoD.

DLA Comments: Nonconcur. Defense Logistics Agency (DLA) prepared an initiative to repeal 10 U.S.C., Chapter 142. The DLA initiative was section 801 of the FY 1997 Defense Authorization Bill proposed by DoD.

The Senate Committee Report, FY 1997, states: "The Committee provides $18,000,000 to fund this worthwhile initiative and directs the Secretary of Defense to ensure that DLA includes funding for this program in its fiscal year 1998 request."

The House Committee Report, FY 1997, states: "The Committee strongly supports the Procurement Technical Assistance Program (PTAP) and recommends an increase of $20,600,000 above the fiscal year 1997 budget request for this program. This amount is sufficient to fully fund all technically acceptable PTAP bids as well as provide funding for the PTAP oversight office within the DLA. The Committee is convinced that this program will operate most effectively and efficiently by continuing it under the auspices of the Department of Defense. Therefore, the Committee directs the DLA within the Department of Defense to continue to operate and administer PTAP, and to fully fund the program in the fiscal year 1998 budget request."

Due to the Senate and House Committee endorsements of the PTA program and their conviction that the program will operate most effectively and efficiently under DoD/DLA auspices, resubmission of the legislative initiative to repeal 10 U.S.C., Chapter 142 would appear to have little chance of acceptance by anyone in Congress. Therefore, resubmission is not contemplated.

Disposition: Action is Considered Complete

ACTION OFFICER: Sim C. Mitchell
PSE APPROVAL: Lloyd C. Alderman, Director, Small & Disadvantaged Business Utilization
COORDINATION: Dave Stumpf, DDAI, 767-6266
Olivia Coleman

DLA APPROVAL:

RAY E. McCOY
Major General, USA
Principal Deputy Director

Subject: Evaluation of the Procurement Technical Assistance Cooperative Agreement
Project No. 5PT-5028

Finding B: The competitive selection process for the award of PTAP cooperative agreements needs improvement. Revisions are needed because Defense Logistics Agency (DLA) is encouraging applicants to serve less-than-statewide areas and making awards to all acceptable applicants. As a result, funding is not distributed equitably across the country and DoD is providing an increasing amount of supplemental funding.

DLA Comments: Partially Concur. Prior to FY 1989, there was no distinction made between statewide and less than statewide coverage. Thus, a definition was developed for statewide coverage which states that a PTA program providing statewide coverage must service at least 50% of a State's counties or equivalent coverage (i.e., parishes, boroughs) and 75% of a State's labor force. The definition for a statewide program allows both statewide and less than statewide programs to be awarded in the same state.

Title 10, Chapter 142, Section 2415, as amended by PL 100-180 (Dec 1987), states "The Secretary shall allocate funds available for assistance under this chapter equally to each Defense Contract Administration Services Region. If in any such fiscal year there is an insufficient number of satisfactory proposals in a Region for cooperative agreements to allow effective use of the funds allocated to that region, the funds remaining with respect to that region shall be reallocated among the remaining regions."

From the program's inception through FY 1988, the Defense Contract Administration Services Regions were responsible for evaluating the proposals receives by the Region. The evaluation process did not consider the requirement for reallocating excess funds among the Regions. Accordingly, in FY 1989, the Director, DLA, required that all proposals be evaluated competitively by a single panel convened at HQ DLA. Each year a panel is convened at HQ DLA to evaluate all proposals received in response to the annual solicitation. The panel rank orders all proposals and the PTA program manager prepares a national rank order merit list which provides the basis for limiting awards to funds available to the program.

Although the evaluation criteria used prior to FY 1996 gave preference to statewide programs, the criteria was revised pursuant to a study made of the PTA program by a private contractor. In addition to implementing other improvements recommended by the study, the FY 96 criteria gives greater preference for statewide programs.

ACTION OFFICER: Sim C. Mitchell
PSE APPROVAL: Lloyd C. Alderman, Director, Small & Disadvantaged Business Utilization
COORDINATION: Dave Stumpf, DDAI, 767-6266

DLA APPROVAL:

RAY E. McCOY
Major General, USA
Principal Deputy Director

SUBJECT: Evaluation of the Procurement Technical Assistance Cooperative Agreement Program Project No. 5PT-5028

Recommendation No: B. We recommend that the Director, Defense Logistics Agency (DLA), give first preference for available Procurement Technical Assistance Program funding to acceptable statewide applicants. Suggested solicitation language is in Appendix H.

DLA Comments: Nonconcur. Title 10, Chapter 142, Section 2415, as amended by PL 100-180 (Dec 1987), states "The Secretary shall allocate funds available for assistance under this chapter equally to each Defense Contract Administration Services Region. If in any such fiscal year there is an insufficient number of satisfactory proposals in a Region for cooperative agreements to allow effective use of the funds allocated to that region, the funds remaining with respect to that region shall be reallocated among the remaining regions."

DLA has complied with this statutory allocation every year. Title 10, Chapter 2415, Section 2415 does not impose a limitation on funds awarded/or allocated to PTAs within a state.

Disposition: Action is considered complete

ACTION OFFICER: Sim C. Mitchell
PSE APPROVAL: Lloyd C. Alderman, Director, Small & Disadvantaged Business Utilization
COORDINATION: Dave Stumpf, DDAI, 767-6266

DLA APPROVAL:

RAY E. McCOY
Major General, USA
Principal Deputy Director

Evaluation Team Members

This report was prepared by the Analysis, Planning, and Technical Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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