



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-CGI-25-16

What OIG Audited

The Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM) has the critical responsibility to manage the Department of State's (Department) acquisition programs, including managing small business subcontracting plans (SBSP) to maintain the federal government's policy of "maximum practicable" subcontracting opportunities for small businesses.

The Office of Inspector General (OIG) conducted this audit to determine (1) whether the Department's administration and monitoring of SBSPs adhered to federal and Department requirements and (2) whether selected prime contractors attained the stated goals and objectives of those SBSPs. To conduct this audit, OIG tested 45 contracts designated as having an "Individual Subcontracting Plan" and 10 contracts designated as not having subcontracting opportunities. In addition, OIG tested 10 contracts designated as not requiring a subcontracting plan. Collectively, the 65 contracts tested were valued at about \$2.8 billion and were awarded from October 1, 2020, through September 30, 2022.

What OIG Recommends

OIG made eight recommendations to improve the Department's subcontracting activities. On the basis of the Bureau of Administration's response to a draft of this report, OIG considers all eight recommendations resolved, pending further action. A synopsis of management's comments to the recommendations offered and OIG's reply follow each recommendation in the Audit Results section of this report. The Bureau of Administration's response to a draft of this report is reprinted in its entirety in Appendix C.

March 2025

OFFICE OF AUDITS

CONTRACTS, GRANTS, AND INFRASTRUCTURE DIVISION

Audit of Department of State Administration of Subcontracting Plans for Small Businesses

What OIG Found

AQM did not administer and monitor SBSPs in accordance with requirements. Specifically, AQM could not provide OIG with an approved subcontracting plan or a documented determination that no subcontracting possibilities existed for 41 (75 percent) of 55 applicable contracts selected for testing. Additionally, for 2 of the 10 contracts designated as not requiring a subcontracting plan, OIG identified issues with the reliability of subcontracting data in the system used to track contract actions. Furthermore, AQM did not ensure that reports were submitted for 20 (44 percent) of 45 contracts identified as having SBSPs, nor did it ensure the timely review of submitted reports. This occurred, in part, because AQM management did not provide sufficient oversight to ensure contracting officers (CO) performed required SBSP procedures or maintained adequate contract files related to subcontracting activities. Furthermore, AQM management did not ensure that data in the system used to track contract actions were accurate.

OIG also found that the Department was unable to determine whether selected contractors attained the stated goals and objectives of their SBSPs. Additionally, the Department did not identify and take appropriate action against contractors who failed to make good faith efforts to comply with their SBSPs. Finally, OIG found that COs were not assessing contractors' implementation of their SBSPs as required. These issues occurred primarily because the Department did not emphasize the role of COs in post-award oversight of SBSP compliance and did not have detailed guidance on post-award responsibilities within the small business subcontracting program.

Until the Department fully complies with all applicable requirements governing SBSPs, it will not be positioned to support the federal government's policy to provide maximum practicable opportunities for small businesses to participate as subcontractors, nor will it be assured of having diverse suppliers, which would enhance the Department's ability to obtain quality goods and services at reasonable prices.