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Office of Inspector General  
United States Department of State

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AUD-CGI-25-16

Office of Audits

March 2025

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

CONTRACTS, GRANTS, AND INFRASTRUCTURE DIVISION

UNCLASSIFIED



# HIGHLIGHTS

Office of Inspector General  
United States Department of State

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## 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.

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## OBJECTIVE

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The Office of Inspector General (OIG) conducted this audit to determine (1) whether the Department of State's (Department) administration and monitoring of small business subcontracting plans (SBSP) adhered to federal and Department requirements and (2) whether selected prime contractors attained the stated goals and objectives of those plans.

## BACKGROUND

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The federal government maintains a policy of "maximum practicable" subcontracting opportunities<sup>1</sup> for small businesses and socioeconomically disadvantaged small businesses<sup>2</sup> for prime contracts above the simplified acquisition threshold of \$250,000.<sup>3</sup> In addition, all non-small businesses<sup>4</sup> performing contracts with a value of more than \$750,000 (or \$1.5 million for construction contracts) that have subcontracting possibilities must include SBSPs as part of their contract.<sup>5</sup> The Federal Acquisition Regulation (FAR) states that SBSPs are not required for contracts that will be performed entirely outside the United States.<sup>6</sup> However, the Department of State Acquisition Regulation (DOSAR) requires contracts awarded domestically for performance overseas to comply with the Small Business Act<sup>7</sup> and include an SBSP.<sup>8</sup> The DOSAR exempts contracts that are both awarded and performed overseas.<sup>9</sup>

### Small Business Subcontracting Plans

SBSPs must include, among other requirements:<sup>10</sup>

- Separate percentage goals for using small business, veteran-owned small business, service-disabled veteran-owned small business, historically underutilized business zone (HUBZone) small business, small disadvantaged business, and women-owned small business concerns as subcontractors.<sup>11</sup>

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<sup>1</sup> FAR 19.702, "Statutory requirements."

<sup>2</sup> Socioeconomically disadvantaged small businesses consist of veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business. FAR 2.101, "Definitions," provides a definition for each category.

<sup>3</sup> FAR 2.101.

<sup>4</sup> Non-small business entities are those that do not meet the Small Business Administration's (SBA) size standards for small businesses.

<sup>5</sup> FAR 19.702(a)(1)(i).

<sup>6</sup> FAR 19.702(b)(3).

<sup>7</sup> Small Business Act (2018), 15 United States Code 631 § 8(d)(1)(2) and (3).

<sup>8</sup> DOSAR 619.000(b), "Scope of part."

<sup>9</sup> DOSAR 619.000(b) states that contracts that are awarded and performed overseas should comply on a voluntary basis.

<sup>10</sup> FAR 19.704, "Subcontracting plan requirements."

<sup>11</sup> FAR 19.704(a)(1).

- The amount to be subcontracted, as well as the amount to be subcontracted to each small business category as a percentage of total subcontract amount.<sup>12</sup>
- A description of the types of supplies and services to be subcontracted to each small business category.<sup>13</sup>
- A description of methods used to identify potential small business subcontractors.<sup>14</sup>
- Assurances that the contractor will submit periodic subcontracting reports so the government can determine the extent of the contractor's compliance with its subcontracting plan.<sup>15</sup>

The Department uses two types of SBSPs: individual and commercial. Individual subcontracting plans (ISP) apply to a specific contract, cover the entire contract period, and include separate goals for each small business category based on the contractor's planned subcontracting efforts. Commercial subcontracting plans are not contract-specific, cover the contractor's fiscal year, and apply to the entire production of commercial goods and services sold by the contractor.<sup>16,17</sup>

### ***Individual Subcontracting Plan Reporting Requirements***

Prime contractors with an ISP must submit, through the Electronic Subcontracting Reporting System (eSRS), periodic subcontracting reports to the Department. Two types of subcontracting reports are required: the semiannual Individual Subcontract Report (ISR) and the annual Summary Subcontract Report (SSR).<sup>18</sup> ISRs are contract-specific, provide the contractor's cumulative subcontracted amount from the inception of the contract, and are designed to be used by the Department to monitor the contractor's progress toward their small business subcontracting goals. SSRs are agency-specific, provide the contractor's subcontracted amount for the government's fiscal year, and are not designed to be compared against small business subcontracting goals. The FAR requires Contracting Officers (CO) to review contractors' ISRs and SSRs to monitor compliance with the SBSPs.<sup>19</sup> The ISRs should be used to determine if the contractor is on track to meet its approved subcontracting plan's goals and to track the contractor's good faith efforts. According to the FAR, a contractor's failure to submit an acceptable ISR or SSR may be considered an indicator of a failure to make a good faith effort when considered in the context of the contractor's total effort in accordance with its SBSP.<sup>20</sup>

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<sup>12</sup> FAR 19.704(a)(2). For ISPs, the CO may require goals to be expressed as a percentage of the total contract amount in addition to the goals established as a percentage of the total subcontracting amount.

<sup>13</sup> FAR 19.704(a)(3).

<sup>14</sup> FAR 19.704(a)(5) and (8).

<sup>15</sup> FAR 19.704(a)(10)(ii).

<sup>16</sup> FAR 19.701, "Definitions."

<sup>17</sup> OIG's audit focused on ISPs.

<sup>18</sup> FAR 19.704(a)(10)(ii), (iv)(A) and (B).

<sup>19</sup> FAR 19.705-6(f)(1), (2), and (3), "Post-award responsibilities of the contracting officer."

<sup>20</sup> FAR 19.705-7(b)(2)(iii), "Compliance with the subcontracting plan."

## **Bureau of Administration Roles and Responsibilities**

The Office of the Procurement Executive,<sup>21</sup> within the Bureau of Administration, provides Department-wide acquisition policies and services including developing, issuing, and maintaining acquisition regulations, procedures, and guidance.<sup>22</sup> Under the leadership of the Procurement Executive, the Office of Acquisitions Management (AQM)<sup>23</sup> is responsible for administering contracts and liaising with contractors as well as requiring offices to ensure all procurement requirements are enforced.

### ***Office of Small and Disadvantaged Business Utilization***

The Office of Small and Disadvantaged Business Utilization (OSDBU)<sup>24</sup> serves as the Department's liaison with the Small Business Administration (SBA). OSDBU also coordinates with the Office of the Procurement Executive to establish annual goals for the Department's small business program.<sup>25</sup> OSDBU works with AQM to maximize contracting opportunities for U.S. small businesses both as prime contractors—those that work directly with the government—and subcontractors.<sup>26</sup> OSDBU also is responsible for reviewing prime contractors' SBSPs to ensure the plans provide maximum practicable subcontracting opportunity for small business concerns.<sup>27</sup> When OSDBU notes deficiencies in the SBSPs, it shall recommend necessary changes to the COs.<sup>28</sup>

## **Contracting Officers' Subcontracting Plan Responsibilities**

The Department's Foreign Affairs Handbook states that COs have sole authority to negotiate, award, administer, modify, or terminate contracts.<sup>29</sup> The CO is also responsible for ensuring the performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual

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<sup>21</sup> After the completion of audit fieldwork, the Bureau of Administration implemented a reorganization of its offices, and the Office of the Procurement Executive became the Office of Global Acquisitions. In this report, OIG refers to the office by the name that was in use during audit fieldwork.

<sup>22</sup> 1 Foreign Affairs Manual 212.2(b), "Office of the Procurement Executive (A/OPE)."

<sup>23</sup> After the completion of audit fieldwork, the Bureau of Administration implemented a reorganization of its offices, and AQM became the Acquisitions Management Directorate within the Office of Global Acquisitions. In this report, OIG refers to the office by the name that was in use during audit fieldwork.

<sup>24</sup> 1 Foreign Affairs Manual 216.1, "Office of Small and Disadvantaged Business Utilization (OSDBU)," states that OSDBU is not directly attached to the Assistant Secretary of Administration but is attached to the Bureau of Administration for administrative purposes. The Director of OSDBU reports directly to the Deputy Secretary of State concerning policies and activities.

<sup>25</sup> DOSAR 619.201(b), "General Policy."

<sup>26</sup> Department, "OSDBU Guidebook: Providing Maximum Practicable Opportunity for Small Business in DoS Acquisitions," Section 1.3.

<sup>27</sup> FAR 19.201(c)(17), "General Policy;" and DOSAR 619.705-4, "Reviewing the subcontracting plan."

<sup>28</sup> DOSAR 619.705-4.

<sup>29</sup> 14 Foreign Affairs Handbook-2 H-141(a), "Responsibilities of the Contracting Officer."

relationships.<sup>30</sup> The Department of State Acquisition Manual (DOSAM) states that “COs must ensure contracting and procurement opportunities are available on an equal basis to all eligible providers of goods and services,” including small businesses in the various socioeconomic categories.<sup>31</sup>

### ***Pre-Award Responsibilities***

COs should determine whether a contract requires a subcontracting plan, which depends on the contract value thresholds and an analysis of the possibilities for subcontracts. COs may also determine that subcontracting possibilities do not exist, in which case a detailed rationale is required and must be approved “at a level above the [CO], and placed in the contract file.”<sup>32</sup> COs are also required to provide the SBA procurement center representative with time to review any solicitation requiring the submission of a subcontracting plan.<sup>33</sup> COs should review subcontracting plans during the pre-award process,<sup>34</sup> determine whether a subcontracting plan is acceptable,<sup>35</sup> and assess the SBSP as one evaluation factor when selecting a contractor.<sup>36</sup> The FAR requires COs to review the SBSP before making an award to ensure that the required information, goals, and assurances,<sup>37</sup> such as the contractor’s agreement to submit periodic subcontracting reports to the government to determine the extent of compliance with the SBSP, are included.<sup>38</sup> Furthermore, the FAR requires COs to provide the SBA procurement center representative with an opportunity to review the proposed contract, including the SBSP and supporting documentation.<sup>39</sup> Figure 1 illustrates the pre-award process that a CO should follow to solicit and award a contract with a subcontracting plan.

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<sup>30</sup> FAR 1.602-2, “Responsibilities.”

<sup>31</sup> DOSAM 619.201(a), Small Business Programs, “General Policy.”

<sup>32</sup> FAR 19.705-2(c), “Determining the need for a subcontracting plan.”

<sup>33</sup> FAR 19.705-3, “Preparing the solicitation.”

<sup>34</sup> FAR 19.705-4, “Reviewing the subcontracting plan.”

<sup>35</sup> FAR 19.705-4(d)(2-6) states that evaluation of subcontracting plan acceptability includes ensuring that subcontracting goals are attainable and advising a contract offeror about potential small business subcontractors and information sources on “potential small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business subcontractors.”

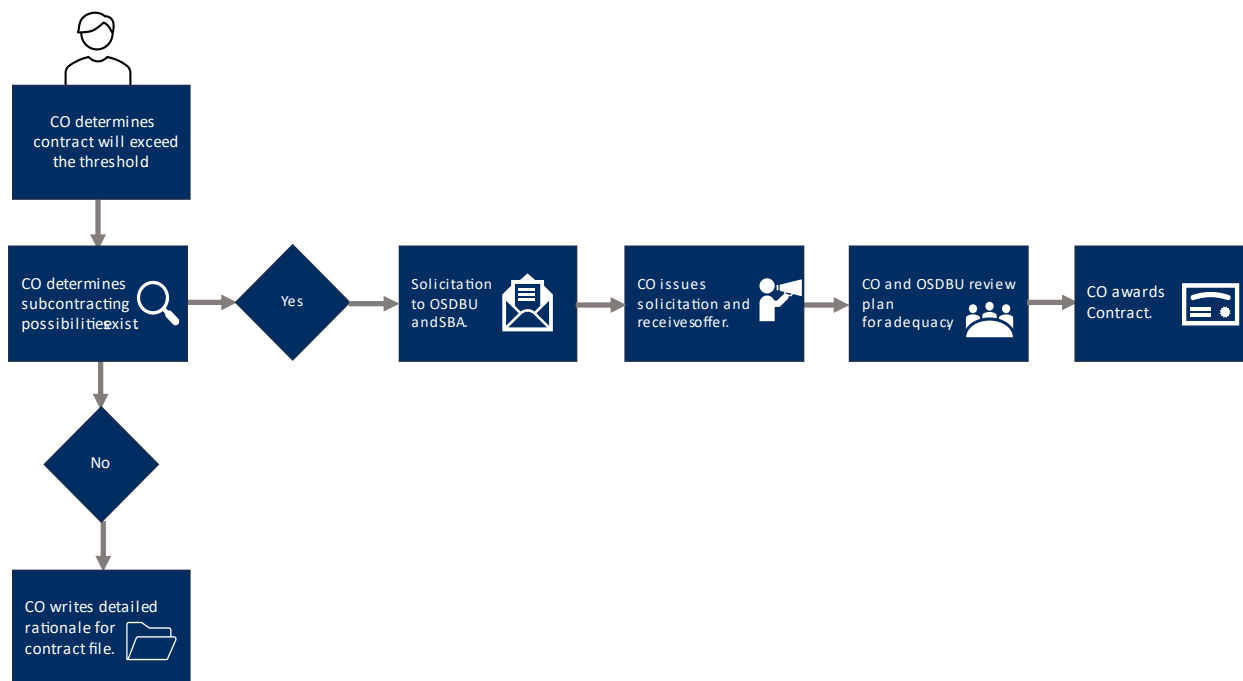
<sup>36</sup> FAR 15.304(c)(4), “Evaluation factors and significant subfactors.”

<sup>37</sup> FAR 19.705-4.

<sup>38</sup> FAR 19.704(a)(10)(ii).

<sup>39</sup> FAR 19.705-5(a)(3), “Awards involving subcontracting plans.”

**Figure 1: Solicitation and Award Process for Subcontracting Plans**



**Source:** OIG-generated based on FAR 19.705 and Department of State Acquisition Manual.

### ***Post-Award Responsibilities***

After awarding a contract, COs must provide the SBA procurement center representative and OSDBU a copy of the final subcontracting plan that was incorporated into the contract.<sup>40</sup> The FAR specifies other post-award CO responsibilities, including:<sup>41</sup>

- Monitoring prime contractors' compliance with their SBSPs, including:
  - Ensuring that contractors' periodic subcontracting reports, such as ISRs, are submitted into eSRS within 30 days of the report ending date.
  - Reviewing these reports within 60 days of the report ending date.
  - Accepting or rejecting the reports in accordance with FAR Subpart 19.7, "The Small Business Subcontracting Program," and eSRS instructions.<sup>42</sup>
- Evaluating prime contractors' compliance with their SBSPs, including assessing whether contractors made a good faith effort to comply with their SBSPs.<sup>43</sup>

<sup>40</sup> FAR 19.705-6(c)(2) and DOSAR 619.705-6-70.

<sup>41</sup> FAR 19.705-6.

<sup>42</sup> FAR 19.705-6(f).

<sup>43</sup> FAR 19.705-6(g).

- Enforcing the terms of the contract if, during performance, a contractor is failing to comply in good faith with its subcontracting plan,<sup>44</sup> which is a material part of the contract.<sup>45</sup>
- Assessing liquidated damages when warranted.<sup>46</sup>

### ***Good Faith Assessment***

As noted, determining whether a contractor made, or failed to make, a good faith effort to comply with its SBSP is one of the primary post-award responsibilities of a CO in the small business subcontracting program.<sup>47</sup> The FAR requires COs to consider the totality of the contractor's actions for consistency with the information and assurances provided in its subcontracting plan. A contractor's failure to meet its subcontracting goals does not, in and of itself, constitute a failure to make a good faith effort.<sup>48</sup> If the contractor does not achieve its goals, the CO must assess the contractor's written explanation concerning why the goals were not achieved.<sup>49</sup>

If, at the end of the contract, a contractor has failed to comply with the requirements of its subcontracting plan, including meeting its subcontracting goals, the CO must review all available information to determine whether the contractor has made a good faith effort to comply with its SBSP. If no such indication exists, the CO must document this in the file.<sup>50</sup> If, in the context of the contractor's total effort in accordance with its SBSP, the CO determines that the contractor failed to make a good faith effort to comply with its plan, the FAR requires COs to provide the contractor with written notice specifying the breach, advising the contractor of the possibility of paying liquidated damages, and providing a period of 15 days for the contractor to respond.<sup>51</sup> The notice serves to give the contractor an opportunity to demonstrate what good faith efforts were made. A failure to respond may be taken as an admission that the contractor has no valid explanation.<sup>52</sup>

If, after consideration of all pertinent data, the CO determines that the contractor failed to make a good faith effort to comply with its SBSP, the CO must inform the contractor of the final decision and require the payment of liquidated damages in addition to any other remedies that the Department may have.<sup>53</sup> According to the Small Business Act,<sup>54</sup> any contractor failing to

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<sup>44</sup> FAR 19.705-6(i).

<sup>45</sup> FAR 19.705-5(a)(5).

<sup>46</sup> FAR 19.705-6(h).

<sup>47</sup> FAR 19.705-7(b).

<sup>48</sup> FAR 19.705-7(b)(1).

<sup>49</sup> FAR 19.705-6(g)(2).

<sup>50</sup> FAR 19.705-7(c).

<sup>51</sup> FAR 19.705-7(d).

<sup>52</sup> *Ibid.*

<sup>53</sup> FAR 19.705-7(e).

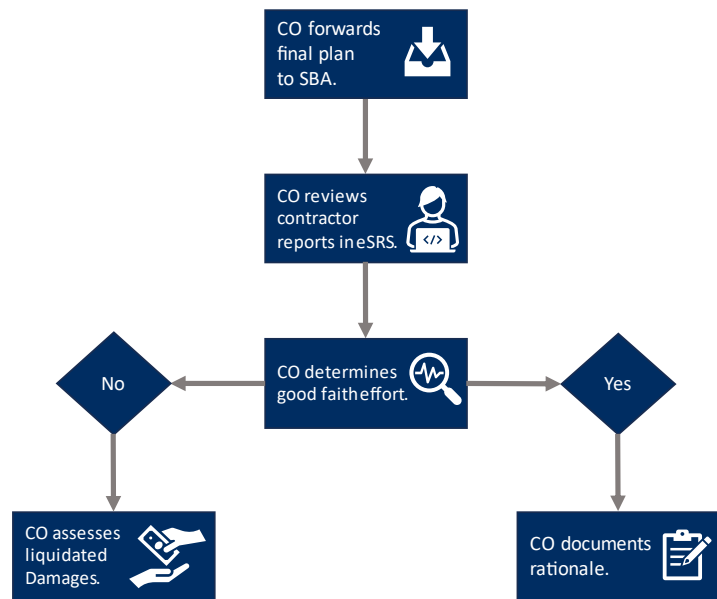
<sup>54</sup> 15 United States Code 637(d)(4)(F) and 637(d)(9).

comply in good faith with the requirements of its SBSP is in material breach of its contract and subject to in the imposition of liquidated damages.<sup>55</sup>

*Role of the Small Business Technical Liaison*

In 2019, the Office of the Procurement Executive delegated the role of Agency Coordinator for eSRS to the Department’s Small Business Technical Liaison (SBTL) within AQM.<sup>56</sup> With this role, the SBTL was delegated COs’ post-award responsibility to ensure prime contractors’ ISRs and SSRs are submitted and reviewed in a timely manner in eSRS.<sup>57</sup> As AQM’s sole defined reviewer of subcontracting reports, the SBTL’s responsibilities include accepting or rejecting ISRs and SSRs and assessing the good faith efforts of prime contractors in meeting their subcontracting plan goals and requirements.<sup>58</sup> Figure 2 illustrates the FAR’s post-award oversight process for subcontracting plans.

**Figure 2: Post-Award Oversight of Subcontracting Plans**



**Note:** Figure 2 reflects the post-award oversight process as stated in the FAR. However, the Office of the Procurement Executive delegated some of the CO’s responsibilities to the SBTL.

**Source:** OIG-generated based on FAR 19.705.

<sup>55</sup> FAR 19.702(c).

<sup>56</sup> Office of the Procurement Executive, Procurement Information Bulletin 2019-07.

<sup>57</sup> Office of the Procurement Executive, “Subcontracting Action Plan” (2019).

<sup>58</sup> Ibid.

## AUDIT RESULTS

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### **Finding A: The Department Did Not Administer and Monitor Subcontracting Plans as Required**

OIG found that AQM did not administer and monitor SBSPs in accordance with federal and Department requirements. Specifically, AQM could not provide an approved subcontracting plan or a documented CO's determination that no subcontracting possibilities existed for 41 (75 percent) of 55 contracts selected for testing,<sup>59</sup> collectively valued at \$1.9 billion. More specifically, AQM could not provide sufficient SBSP documentation such as subcontracting plan review forms, evidence of solicitation reviews, or justifications for not including an SBSP. In addition, OIG identified issues with the reliability of data quality in the system used to track contract actions known as the Federal Procurement Data System – Next Generation (FPDS-NG). Furthermore, OIG found that COs did not ensure that contractors responsible for 20 (44 percent) of 45 contracts identified as having SBSPs submitted required ISRs in the eSRS as required by the FAR. Finally, AQM did not always ensure the timely review of ISRs when they had been submitted.

These deficiencies occurred, in part, because AQM management did not provide sufficient oversight to ensure COs performed required SBSP procedures. Additionally, AQM management did not enforce the maintenance of contract files and documentation to demonstrate SBSP administrative actions were completed as required. Furthermore, AQM did not provide adequate oversight and verification of information entered into FPDS-NG or develop a consolidated list of contracts to assist in determining which contractors did not submit ISRs in eSRS.

As a result, small businesses may have been denied subcontracting opportunities that prime contractors were required to make a good faith effort to provide. In addition, without proper documentation, AQM cannot validate and ensure contractors are meeting the goals and assurances of the subcontracting plans. Furthermore, because the Department was unable to determine which contractors did not submit required ISRs, AQM's knowledge about the extent to which contractors are fulfilling their SBSP obligations was limited, impacting the effectiveness of the small business subcontracting program.

#### ***Lack of Approved Subcontracting Plans***

The FAR states that each solicitation of offers to perform a contract that is expected to exceed \$750,000 (or \$1.5 million for construction contracts) and that has subcontracting possibilities

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<sup>59</sup> Of 65 contracts selected for testing, 45 contracts were designated as having an SBSP, and 10 contracts were designated as not including an SBSP because AQM determined there were no small business subcontracting opportunities. The remaining 10 selected contracts were designated in FPDS-NG as "Plan Not Required." OIG performed other tests on these 10 selected contracts to determine if AQM properly used exemptions allowed by FAR 19.702(b). Appendix A provides details of the sample selected.

shall require the successful offeror to submit an acceptable<sup>60</sup> subcontracting plan.<sup>61</sup> The FAR also states that if it is determined that there are no subcontracting possibilities, the determination shall include a detailed rationale and be placed in the contract file.<sup>62</sup> According to the DOSAM, COs are responsible for the establishment and maintenance of contract files for their contract actions and must review contract files for completeness at the time of contract award to verify that all supporting pre-award documentation is available and filed correctly.<sup>63</sup> Similarly, the Foreign Affairs Handbook requires that documentation in the contract files be sufficient to constitute a complete history.<sup>64</sup> The DOSAM also states that all contract files must be created and maintained in the eFiling<sup>65</sup> module within the Integrated Logistics Management System.<sup>66</sup>

OIG found that AQM could not provide an approved subcontracting plan or a documented determination<sup>67</sup> that no subcontracting possibilities existed for 41 (75 percent) of 55 contracts reviewed, collectively valued at \$1.9 billion.<sup>68</sup> Specifically, AQM could not provide sufficient documentation, such as SBSPs, subcontracting plan review forms, or justifications to support a determination that no subcontracting opportunities existed (see Appendix B for additional details regarding OIG's findings by contract). For example, for contract 19AQMM22C0144 (Contract 33), valued at \$533,846,114, related to New Embassy Compound construction services in Kinshasa, Democratic Republic of Congo, the CO provided a memorandum for the record stating that the contract file was transferred to them without an SBSP or a signed Department subcontracting plan review form. For contract 19AQMM22C0106 (Contract 35), valued at \$321,018,682, for the construction of a New Consulate Compound in Rio de Janeiro, Brazil, AQM could not provide a subcontracting review form, even though the contract listed SBSP as an evaluation factor<sup>69</sup> for the award. Moreover, OIG found the contractor was submitting ISRs, indicating an approved SBSP was in place, even though AQM could not locate the document.

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<sup>60</sup> FAR 19.705-4 requires the CO to review the SBSPs for adequacy, ensuring that the required information, goals, and assurances are included.

<sup>61</sup> FAR 19.702(a)(1)(i), "Statutory requirements."

<sup>62</sup> FAR 19.705-2(c).

<sup>63</sup> DOSAM 604.802-80(b), "Responsibilities."

<sup>64</sup> 14 Foreign Affairs Handbook-2 H-573.3(a), "Government Contract Files."

<sup>65</sup> eFiling allows Department officials to electronically store and organize contract files.

<sup>66</sup> The Integrated Logistics Management System is the Department's supply chain management system.

<sup>67</sup> FAR 19.705-2(c).

<sup>68</sup> Of 65 contracts selected for testing, 45 contracts were designated as having an SBSP and 10 contracts were designated as not including an SBSP because AQM determined there were no small business subcontracting opportunities. The remaining ten selected contracts were designated in FPDS-NG as "Plan Not Required." OIG performed other tests on these 10 selected contracts to determine if AQM properly used exemptions allowed by FAR 19.702(b). Appendix A provides details of the sample selected.

<sup>69</sup> FAR 15.304(b)(1) states that evaluation factors represent the key areas of importance and emphasis to be considered in the source selection decision.

### ***Inadequate FPDS-NG Data Quality***

The FAR requires executive departments and agencies to collect and report acquisition data in FPDS-NG.<sup>70</sup> COs must designate a contract in FPDS-NG as having an “Individual Subcontract Plan” or designate the contract as “Plan Not Included – No Subcontracting Possibilities” or “Plan Not Required.” The Office of Federal Procurement Policy issued a memorandum on improving the quality of federal procurement data, which stated:

Complete, accurate, and timely federal procurement data are essential for ensuring that the government has the right information when planning and awarding contracts and that the public has reliable data to track how its tax dollars are being spent. The quality of this information depends on agencies having strong internal controls for the input and validation of agency data entered in FPDS and other acquisition information systems.<sup>71</sup>

Of the 41 contracts OIG reviewed that did not have an approved subcontracting plan or justification for why a plan was not needed, AQM officials stated that 7 were incorrectly designated in FPDS-NG as having an “Individual Subcontract Plan.” AQM officials provided sufficient documentation demonstrating that one of the seven contracts was indeed incorrectly designated, but AQM did not provide sufficient documentation for the remaining six contracts. Although AQM officials indicated that FPDS-NG data were incorrect, OIG found that four of the six contractors involved had submitted periodic ISRs, indicating that an SBSP existed and was executed. Nonetheless, for three of these four contracts, AQM officials were unaware that ISRs had been submitted. Furthermore, AQM officials stated that two of the contracts were exempted from SBSPs because the work was performed outside the United States, even though they were awarded in the United States. The DOSAR requires contracts awarded domestically for performance overseas to include an SBSP.<sup>72</sup> Table 1 provides details of the seven contracts that AQM officials stated were incorrectly designated in FPDS-NG.

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<sup>70</sup> FAR 4.602(a), “General,” states that FPDS provides a comprehensive web-based tool for agencies to report contract actions.

<sup>71</sup> Office of Management and Budget, Office of Federal Procurement and Policy Memorandum, “Improving Federal Procurement Data Quality—Guidance for Annual Verification and Validation,” May 31, 2011.

<sup>72</sup> DOSAR 619.000(b).

**Table 1: Contracts That AQM Officials Stated Were Incorrectly Designated in FPDS-NG**

<b>Contract Number</b>	<b>Principle Place of Performance</b>	<b>Awarded in U.S.</b>	<b>FPDS-NG SBSP Designation</b>	<b>Amount of Contract</b>
Contract 34*	Brazil	Yes	ISP	\$372,841,547
Contract 60*	Ukraine	Yes	ISP	\$47,634,732
Contract 51*	United States	Yes	ISP	\$12,300,000
Contract 57	Croatia	Yes	ISP	\$11,074,428
Contract 58	United States	Yes	ISP	\$1,762,077
Contract 26*	United States	Yes	ISP	\$1,649,465
Contract 24	Malawi	Yes	ISP	\$798,493
<b>Total</b>				<b>\$448,060,742</b>

\* Contractor submitted ISRs as required by an SBSP.

**Source:** OIG-generated based on contract data obtained from AQM and FPDS-NG.

Furthermore, of the 10 contracts tested that were designated in FPDS-NG as “Plan Not Required,”<sup>73,74</sup> OIG determined that 2 contracts were inaccurately designated based on available contract data from AQM. Specifically, for 19AQMM21C0156 (Contract 13), related to a New Embassy Compound in Lagos, Nigeria, AQM officials provided an unsigned SBSP and could not explain why the contract was designated “Plan Not Required.” For 19AQMM21C0121 (Contract 30), related to medical support services in Iraq, AQM officials stated that an SBSP was not required because of an “urgent and compelling need.” However, AQM officials did not provide a written justification and approval for this designation as required.<sup>75</sup> Table 2 provides details of the two contracts that were incorrectly designated in FPDS-NG.

**Table 2: Contracts That Were Incorrectly Designated in FPDS-NG**

<b>Contract</b>	<b>Principle Place of Performance</b>	<b>Awarded in U.S.</b>	<b>FPDS-NG SBSP Designation</b>	<b>Amount of Contract</b>
Contract 13	Nigeria	Yes	Plan Not Required	\$319,027,389
Contract 30	Iraq	Yes	Plan Not Required	\$18,719,658
<b>Total</b>				<b>\$337,747,047</b>

**Source:** OIG-generated based on analysis of contract data obtained from AQM and FPDS-NG.

<sup>73</sup> Appendix A provides details of the sample selected.

<sup>74</sup> For FPDS-NG, “Plan Not Required” means that the contract does not require a subcontracting plan because of exemptions allowed by FAR 19.702(b).

<sup>75</sup> FAR 6.302-2(c), “Unusual and compelling urgency,” states that contracts awarded using this authority shall be supported by written justifications and approvals.

### ***Causes of Identified Deficiencies***

According to the Government Accountability Office (GAO), management should implement control activities through policies<sup>76</sup> and periodically review policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks.<sup>77</sup> The deficiencies that OIG identified occurred, in part, because AQM management did not provide sufficient oversight to ensure that COs performed required SBSP procedures, nor did AQM enforce the maintenance of documentation to demonstrate that SBSP administrative actions were completed as required.

In June 2020, AQM issued guidance reinforcing the mandatory requirement for all contracting personnel to use eFiling.<sup>78</sup> In October 2023, AQM issued additional guidance in the DOSAM that states, "eFiling is the official contract file of record for all acquisitions, and hard copy, paper-based files and electronic files saved in personal, shared, or non-approved storage folders will not be regarded as official files and must not be maintained."<sup>79</sup>

GAO states that management must clearly document internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination.<sup>80</sup> However, a senior AQM official stated that eFiling was not easy to use and that AQM staff experienced delays and other issues with accessing eFiling. The same official acknowledged that AQM had not enforced the use of eFiling because AQM hoped to transition to a new data system in the next couple of years and was, therefore, reluctant to require COs to use a system that could be obsolete in the near future. A senior AQM official also stated that AQM had significant turnover during the last 6 years and that AQM officials were aware of instances in which COs kept contract documentation on their individual computer drive or in a shared computer folder rather than using eFiling. OIG determined this oversight approach is contrary to the Department's need to improve its controls to properly maintain and safeguard contract files.

AQM also did not provide adequate oversight and verification of information entered into FPDS-NG to prevent contracts from being incorrectly designated. A senior AQM official stated that these types of errors happen in FPDS-NG fields and that it depends on how focused the CO was when entering the data. The official added that sometimes COs default to automatic fields and these errors occur when they do not change the field when applicable. OIG acknowledges that data accuracy and reliability is a challenging task. However, AQM is responsible for ensuring the accuracy of the data in FPDS-NG and periodically verifying those data. Finally, AQM did not have sufficient guidance regarding SBSP exemptions for contracts performed overseas, as evidenced by the inconsistencies and misinterpretation among COs. A senior AQM

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<sup>76</sup> GAO, *Standards for Internal Control in Federal Government* (GAO-14-704G, September 2014), § 12.01, page 56.

<sup>77</sup> *Ibid.*, § 12.05, page 56.

<sup>78</sup> Bureau of Administration, Office of the Procurement Executive, Procurement Information Bulletin 2020-04, "Electronic Contract Filing (eFiling)" (June 4, 2020).

<sup>79</sup> DOSAM 604.802, "Contract files."

<sup>80</sup> GAO-14-704G, § 10.03, page 48.

official stated that AQM occasionally runs into this issue as an interpretational problem by some COs, especially if they come from other agencies or have a vague interpretation of the regulations in general.

***Improvements Could Enhance Opportunities for Small Business Subcontractors***

As a result of these issues, small businesses may have been denied subcontracting opportunities that prime contractors were required to make a good-faith effort to provide. Without proper documentation, AQM cannot validate and ensure that contractors are meeting the goals and assurances of the subcontracting plans. Lack of documentation is an indication of poor internal controls and leaves the Department and its COs vulnerable to allegations of mismanagement or impropriety and unable to properly transfer contract requirements during staff turnover. Finally, ensuring contract actions are correctly reported in FPDS-NG is critical because the data are used to inform procurement policy decisions, facilitate congressional oversight, and publicize how taxpayer funds are spent. To improve opportunities for small business subcontractors and the administration of the small business subcontracting program, OIG is offering the following recommendations to address these deficiencies.

**Recommendation 1:** OIG recommends that the Bureau of Administration develop and implement oversight activities to effectively administer subcontracting plans. At a minimum, this should include reviewing administrative actions and communicating policies and procedures to Contracting Officers to comply with the statutory requirements from Federal Acquisition Regulation 19.702 for subcontracting plans.

**Management Response:** The Bureau of Administration concurred with the recommendation, stating that it intends to “develop and implement oversight activities to effectively administer subcontracting plans” aligning with the FAR.

**OIG Reply:** On the basis of the Bureau of Administration’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has developed and implemented oversight activities to effectively administer subcontracting plans. At a minimum, this should include reviewing administrative actions and communicating policies and procedures to COs to comply with statutory requirements from FAR 19.702 for subcontracting plans.

**Recommendation 2:** OIG recommends that the Bureau of Administration, within 6 months of the issuance of this report, issue guidance to Contracting Officers that includes a mechanism for the maintenance of contract files and required documentation if eFiling is not required to be used.

**Management Response:** The Bureau of Administration concurred with the recommendations, stating that it “will issue guidance to [COs] that identifies the contract documentation to be maintained in efiles.”

**OIG Reply:** On the basis of the Bureau of Administration’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has issued guidance to COs that includes a mechanism for the maintenance of contract files and required documentation if eFiling is not required to be used.

**Recommendation 3:** OIG recommends that the Bureau of Administration, within 6 months of the issuance of this report, develop and implement oversight procedures to confirm that contract actions are properly designated in the Federal Procurement Data System – Next Generation.

**Management Response:** The Bureau of Administration concurred with the recommendation, stating that it intends to “develop and implement oversight procedures to confirm that contract actions properly designate subcontracting report information” in FPDS-NG.

**OIG Reply:** On the basis of the Bureau of Administration’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has developed and implemented oversight procedures to confirm that contract actions are properly designated in FPDS-NG.

**Recommendation 4:** OIG recommends that the Bureau of Administration issue guidance and training to Contracting Officers that includes the proper interpretation of subcontracting plan requirements and exemptions, in accordance with Federal Acquisition Regulation 19.702(b)(1-4) and Department of State Acquisition Regulation 619.000(b).

**Management Response:** The Bureau of Administration concurred with the recommendation, stating that it intends to use guidance developed in response to recommendations from this report to provide training to COs “regarding subcontracting plan requirements and exemptions as outlined in the FAR, DOSAR, and DOSAM.”

**OIG Reply:** On the basis of the Bureau of Administration’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has issued guidance and trained COs on the proper interpretation of subcontracting plan requirements and exemptions, in accordance with the FAR and DOSAR.

### ***Missing and Untimely Reviews of Subcontracting Reports***

According to the FAR, after contracts are awarded, COs are required to (1) ensure contractors submit their subcontracting reports<sup>81</sup> in eSRS<sup>82</sup> within 30 days of the close of each reporting period, (2) review ISRs submitted semiannually, and (3) acknowledge receipt of, accept, or reject the ISRs within 60 days of the report ending date in eSRS.<sup>83</sup> Department guidance also outlines CO responsibilities in monitoring contractors' compliance with the SBSP.<sup>84</sup> In addition, the DOSAR states, "Each contracting activity shall maintain a list of its active prime contracts that contain subcontracting plans."<sup>85</sup>

OIG found that AQM did not ensure that contractors responsible for 20 (44 percent) of 45 contracts designated in FPDS-NG as having an "Individual Subcontract Plan" had submitted required ISRs in eSRS. Specifically, for the 45 contracts reviewed that were designated as having an individual subcontracting plan, contractors should have submitted a total of 196 ISRs during the audit scope period. However, OIG was only able to obtain 97 (49 percent) of 196 ISRs from eSRS.<sup>86</sup> Of the 97 ISRs that were submitted in eSRS, 83 (86 percent) were submitted by the due date. OIG also found that AQM did not ensure the timely review of ISRs that were submitted. Specifically, the SBTL reviewed only 6 (6 percent) of 97 ISRs within the required timeframe.

According to GAO, management should monitor internal controls as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.<sup>87</sup> Additionally, effective management of an entity's workforce is essential to achieving results and an important part of internal control.<sup>88</sup> The issues identified related to subcontracting reports occurred, in part, because AQM lacked effective internal controls, such as maintaining a consolidated list of active contracts that have SBSPs to determine which contractors were required to submit ISRs but had not submitted them. The SBTL stated that they did not know which contractors were required to submit subcontracting reports and could only review reports that were already submitted in eSRS.

AQM officials also stated that they had competing work priorities and staffing constraints that posed challenges in trying to comply with eSRS monitoring and reporting timeframes. Specifically, the SBTL is the Department's sole reviewer of subcontracting reports and had other responsibilities that, at times, took precedence over the review of these reports in eSRS.

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<sup>81</sup> ISRs are used to monitor the prime contractor's compliance with its SBSP.

<sup>82</sup> FAR 19.701 states that eSRS is the government-wide, electronic, web-based system for small business subcontracting program reporting.

<sup>83</sup> FAR 19.705-6(f)(1), (2), and (3), "Post-award responsibilities of the contracting officer."

<sup>84</sup> DOSAR 619.705-6-70, "Reporting responsibilities;" and OPE Procurement Information Bulletin 2019-07, "Electronic Subcontracting Reporting System (eSRS)" (August 16, 2019).

<sup>85</sup> DOSAR 619.705-6-70(a).

<sup>86</sup> The audit team gained access to eSRS to determine which reports were available and which were missing.

<sup>87</sup> GAO-14-704G, § 16.05.

<sup>88</sup> *Ibid.*, § 10.03.

According to the SBTL, their main goal was to provide industry engagement to small businesses. The SBTL also mentioned that staffing was inadequate based on the number of contracts to be monitored.

Because the Department was unable to determine which contractors failed to submit required ISRs, AQM's knowledge about the extent to which prime contractors were fulfilling their SBSP obligations was limited, impacting the overall success of the Department's small business subcontracting program. Additionally, the lack of timely reviews of ISRs hindered the Department's ability to ensure contractors' compliance, identify opportunities to adjust the contractors' efforts, and improve oversight. It also limited timely corrective actions that the Department could take to provide small businesses with maximum opportunities to participate in the performance of the contracts. To address this deficiency, OIG is offering the following recommendation.

**Recommendation 5:** OIG recommends that the Bureau of Administration develop and implement a process for achieving the goals, objectives, and timeframes for individual subcontracting report reviews, as prescribed in Federal Acquisition Regulation 19.705-6(f)(1)(2), Department of State Acquisition Manual 619.705-6, and supplemental guidance. At a minimum, this should include identifying and reporting to management contractors that fail to submit required reports.

**Management Response:** The Bureau of Administration concurred with the intent of the recommendation. However, the bureau suggested that OIG remove a reference to Procurement Information Bulletin 2019-07 because the bulletin has been rescinded. The Bureau of Administration stated that the Department's guidance related to subcontracting report reviews is included in the DOSAM and supplemental user guides.

**OIG Reply:** As requested by the Bureau of Administration, OIG modified the recommendation, removing the rescinded Procurement Information Bulletin and adding a reference to the Department's current guidance. On the basis of the Bureau of Administration's concurrence with the intent of the recommendation, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has developed and implemented a process for achieving the goals, objectives, and timeframes for individual subcontracting report reviews, including identifying and reporting to management contractors that fail to submit required reports.

## **Finding B: The Department Is Unable To Determine Whether Selected Contractors Fulfilled Small Business Subcontracting Plans**

OIG found that the Department was unable to determine whether selected contractors attained the stated goals and objectives of their SBSPs. As described in Finding A of this report, 20 (44 percent) of 45 contracts selected for review that were designated as having an SBSP did not have required ISRs in eSRS. Therefore, the Department could not assess those contractors' progress toward meeting their SBSP goals. OIG also found that the SBTL, who is responsible for

reviewing ISRs to monitor whether contractors are meeting or progressing toward their subcontracting plan goals, did not regularly and systematically report the results of the reviews to COs or to AQM management. In addition, OIG found that COs were not identifying contractors that failed to make a good faith effort to comply with their SBSPs and were not taking necessary actions against such contractors, including assessing and imposing liquidated damages. Finally, OIG found that COs were not including an assessment of contractors' implementation of their SBSP goals and requirements in the Contractor Performance Assessment Reporting System (CPARS)<sup>89</sup> in a timely or accurate manner.

These issues primarily occurred because the Department had not emphasized the role of COs in post-award responsibilities to monitor, evaluate, and enforce prime contractors' compliance with their SBSPs. Specifically, the Department did not have detailed standard operating procedures regarding COs' post-award responsibilities within the small business subcontracting program as stated in the FAR.<sup>90</sup> The Department also did not have standard operating procedures for COs to assess prime contractors' subcontracting plan performance and to incorporate it into CPARS.

OIG found that, as a result, AQM was not providing maximum practicable opportunity for small business concerns to participate in Department subcontracting activities. In addition, the lack of procedures to identify and take action to address contractors that fail to comply in good faith with their SBSPs increased the potential for noncompliance. Furthermore, unreliable data in CPARS may lead to awarding a contract to a poorly performing contractor because the Department's source selection officials do not have access to timely, accurate, and complete past performance assessment information needed to make informed decisions.

### ***AQM Cannot Determine Whether Contractors Met Subcontracting Plan Goals***

The FAR requires COs to monitor prime contractors' compliance with their subcontracting plans.<sup>91</sup> This includes ensuring that periodic subcontracting reports, such as ISRs, are submitted by contractors in eSRS in a timely manner and that COs review the reports to determine the extent of compliance with plan goals and other requirements.<sup>92</sup> The FAR also requires COs to evaluate prime contractors' compliance with their subcontracting plans, which includes assessing whether prime contractors made a good faith effort to comply with their SBSPs<sup>93</sup> and to take action to enforce the terms of the contract<sup>94</sup> of which the SBSP is a material part.<sup>95</sup>

In 2019, AQM delegated the responsibility of reviewing contractors' subcontracting reports to the SBTL and created the "Subcontracting Action Plan," which established the roles and

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<sup>89</sup> CPARS is the government-wide evaluation system for assessing contractors' past performance.

<sup>90</sup> FAR 19.705-6.

<sup>91</sup> FAR 19.705-6(f).

<sup>92</sup> FAR 19.705-6(f)(1), (2), and (3).

<sup>93</sup> FAR 19.705-6(g)(1).

<sup>94</sup> FAR 19.705-6(i).

<sup>95</sup> FAR 19.705-5(a)(5).

responsibilities of the SBTL and the COs in monitoring and evaluating prime contractors' compliance with the SBSPs. However, the "Subcontracting Action Plan" was written primarily for the SBTL and is not comprehensive in addressing the full range of post-award responsibilities of the COs within the small business subcontracting program. According to a senior management official at AQM, there was never any buy-in from the COs, and the "Subcontracting Action Plan" has largely gone unimplemented.

For example, the "Subcontracting Action Plan" calls for the SBTL to ensure that prime contractors "make every attempt to adhere to the approved subcontracting plan and file reports in a timely manner." However, as described in Finding A of this report, the Department was unaware that 20 (44 percent) of 45 contracts designated in FPDS-NG as having "Individual Subcontract Plans" did not submit required ISRs. Therefore, Department officials could not determine whether these contractors were making progress toward meeting their plan goals.

The "Subcontracting Action Plan" also states that the SBTL will evaluate "good faith efforts by the prime contractors in meeting all subcontracting goals" and states that "accurate and timely eSRS reporting [by the prime contractors] is a major factor in determining good faith effort." However, as detailed in Finding A of this report, the Department did not keep track of contractors that failed to submit periodic subcontracting reports. According to the FAR, a contractor's failure to submit acceptable ISRs and SSRs is an indicator of failure to make a good faith effort.<sup>96</sup>

Because the SBTL assumed the role of reviewing contractors' ISRs and assessing whether contractors are making good faith efforts to comply with their SBSPs, the "Subcontracting Action Plan" necessarily calls for COs to coordinate with the SBTL in monitoring and evaluating contractors' compliance with their subcontracting plans. However, a senior management official at AQM stated that only a small percentage of COs actively participated in the monitoring and evaluating responsibilities and that the vast majority of COs were unresponsive. Furthermore, the SBTL did not regularly and systematically report the results of the reviews of ISRs to COs or to AQM management. Therefore, responsible officials did not know the extent to which contractors complied with their subcontracting plans.

### ***COs Are Not Appropriately Evaluating Contractors' Implementation of SBSP Requirements in CPARS***

Past performance information is defined as relevant information regarding a contractor's actions under a previously awarded contract or order for future source selection purposes.<sup>97</sup> The FAR states that CPARS is the government-wide evaluation tool for past performance reporting and is the official source for all past performance information related to contractors.<sup>98</sup> Agencies are required to prepare and submit evaluations electronically in CPARS

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<sup>96</sup> FAR 19.705-7(b)(2)(iii).

<sup>97</sup> FAR 42.1501(a), "General."

<sup>98</sup> FAR 42.1502(a), "Policy" and FAR 42.1501(b).

for contracts and orders over the simplified acquisition threshold.<sup>99</sup> The FAR requires that agencies include an assessment of contractors' performance against, and efforts to achieve, the goals identified in the SBSP.<sup>100</sup> The FAR requires COs to consider a contractor's compliance with subcontracting plans submitted for previous contracts as a determination factor when making an award that requires a subcontracting plan.<sup>101</sup> Past performance evaluations in CPARS should be prepared at least annually and at the time that work under a contract or order is completed.<sup>102</sup> They are due within 120 calendar days after the end of the period of performance.<sup>103</sup>

OIG found that AQM did not evaluate contractors' past performance in CPARS in a timely manner. Specifically, OIG found that 34 (76 percent) of 45 contracts that were designated as having an "Individual Subcontract Plan" did not have any completed evaluation reports for FYs 2021 through 2023 (see Appendix B for additional details regarding compliance with CPARS by contract).<sup>104</sup> Overall, OIG found that 6,498 (76 percent) of 8,508 Department contracts registered in CPARS did not have the latest evaluation report completed within the required 120-day period.

OIG also found that AQM did not always accurately rate contractors' performance of small business subcontracting in CPARS. Specifically, OIG found that 11 (24 percent) of 45 contracts designated as having an "Individual Subcontract Plan" had at least one completed evaluation report in CPARS. OIG determined that 3 of these 11 contracts had ratings for small business subcontracting that were inaccurate. For example, in evaluation reports for the first 2 years of contract 19AQMM21C0066 (Contract 51), the CO gave a rating of "N/A" for the small business subcontracting evaluation factor, answered "No" in the section of the report that asks whether the contract has an SBSP, and answered "N/A" in the section requesting the date of the last ISR or SSR submitted by the contractor. However, OIG found that, during those 2 years, the contractor had submitted timely ISRs, which were approved by the SBTL. The contractor's submission of subcontracting reports indicates that the contract has an SBSP although AQM did not provide one to OIG, stating that the contract was incorrectly designated as having an "Individual Subcontract Plan" and that there were no subcontractors because subcontracting was not permitted by the contract's project work statement.

Similarly, in the evaluation report for the base year of contract 19AQMM22C0102 (Contract 34), the CO gave a rating of "N/A" for small business subcontracting, stated that the contract did not have a SBSP, and answered "N/A" for the date of the last ISR or SSR submitted by the contractor. However, OIG found that the contractor had submitted all required ISRs during the

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<sup>99</sup> FAR 42.1502(b).

<sup>100</sup> FAR 42.1502(g)(1), FAR 42.1501(a)(5), and FAR 42.1503(b)(2)(v), "Procedures."

<sup>101</sup> FAR 19.705-5(a)(1).

<sup>102</sup> FAR 42.1502(a).

<sup>103</sup> "Guidance for the Contractor Performance Assessment Reporting System (CPARS)," December 2023, Section C-3.5.4 (GSA and Naval Sea Logistics Center).

<sup>104</sup> OIG reviewed CPARS reports for FYs 2021 through 2023, which was the audit scope period.

evaluation period, indicating that the contract had an SBSP although AQM did not provide one to OIG. AQM informed OIG that the contract was incorrectly designated as having an SBSP and that one was not required because the contract was performed outside of the United States. As discussed in Finding A, the DOSAR requires contracts awarded domestically for performance overseas to include an SBSP.<sup>105</sup> OIG confirmed that the contract was awarded in the United States. For the third contract, 19AQMM21C0160 (Contract 1), the CO gave the same answers and rating as in the two previous examples in the evaluation report for the first year of the contract, even though the contract had an SBSP<sup>106</sup> and the contractor had submitted all required ISRs during the evaluation period. However, in the evaluation report for the second year of the contract, the CO appropriately rated the contractor's performance for small business subcontracting, indicated that the contract had an SBSP, and provided the date of the most recent ISR submitted by the contractor.

### ***Contracting Officers Are Not Involved in Post-Award Subcontracting Activities***

The deficiencies identified existed primarily because of COs' lack of involvement in monitoring, evaluating, and enforcing prime contractors' compliance with SBSPs. Specifically, the Department did not emphasize the role of COs in post-award oversight of SBSP compliance and did not have detailed standard operating procedures for COs regarding their post-award responsibilities within the small business subcontracting program. For example, AQM did not have an established mechanism to require the SBTL to report the results of ISR reviews to COs and AQM management to inform and involve them in the SBSP monitoring and evaluating process. The Department also did not have processes or procedures to identify contractors that fail to make a good faith effort to comply with their subcontracting plan and take actions against such contractors, including providing contractors a written notice of the breach and assessing liquidated damages when appropriate.<sup>107</sup> Furthermore, because of the lack of CO involvement in post-award subcontracting oversight activities related to SBSPs, COs may not have the necessary information to rate contractors in CPARS. According to the SBTL, COs had never approached the SBTL to provide input related to a contractor's SBSP performance for CPARS rating purposes.

According to GAO, management should track performance and achievements and compare them to plans, goals, and objectives.<sup>108</sup> Furthermore, GAO requires management to communicate necessary quality information to enable personnel to perform their roles to achieve the goals and objectives.<sup>109</sup> CO involvement is essential to achieving these internal control standards and, thereby, providing proper oversight of contractor performance and reporting results to AQM senior management.

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<sup>105</sup> DOSAR 619.000(b).

<sup>106</sup> The SBSP that AQM provided for contract 19AQMM21C0160 (Contract 1) contained only the CO's signature of review and approval and did not include OSDDBU or SBA's signatures as required by the FAR.

<sup>107</sup> AQM officials stated that the Department had not imposed liquidated damages because imposing liquidated damages on a contractor that is otherwise performing its mission would not be ideal.

<sup>108</sup> GAO-14-704G, September 2014, § 10.03, page 46.

<sup>109</sup> *Ibid.*, § 14.03, page 60.

***Impact of the Lack of Accountability and CO Involvement in Post-Award Oversight***

Without CO involvement in post-award oversight of the SBSP program, prime contractors cannot be held accountable for not complying with their subcontracting plans. Additionally, without procedures to identify and take action against contractors that fail to comply in good faith with their SBSPs, the Department increases the potential for noncompliance. Furthermore, COs' lack of oversight and accountability of prime contractors' compliance with SBSPs sends a message to the contractors that small business subcontracting in Department contracting activities is not a priority.

Furthermore, without accurate and timely assessments of prime contractors' implementation of their SBSP requirements, the Department's source selection officials will not have complete past performance information needed to make informed decisions related to contract awards. Unreliable data in CPARS may lead to awarding a future contract to a poorly performing contractor. In addition, contractors are not being held accountable for poor performance. Timely and accurate assessment reporting communicates the Department's position that it takes small business subcontracting seriously. Timely and accurate past performance evaluations in CPARS support the government's goal of awarding contracts to businesses that deliver the best value and quality products and services in support of the Department's missions. Therefore, OIG is offering the following recommendations:

**Recommendation 6:** OIG recommends that the Bureau of Administration develop and implement standard operating procedures describing the post-award responsibilities of Contracting Officers to comply with Federal Acquisition Regulation 19.705-6. At a minimum, the procedures should include regular reporting from the Small Business Technical Liaison to Contracting Officers and management officials in the Bureau of Administration, Office of Global Acquisitions, Acquisitions Management Directorate.

**Management Response:** The Bureau of Administration concurred with the recommendation, stating that it will "develop a Small Business Subcontracting Plan Procedures Guide" for COs that will include post-award CO responsibilities.

**OIG Reply:** On the basis of the Bureau of Administration's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has developed and implemented standard operating procedures describing COs' post-award responsibilities to comply with the FAR. The procedures should include regular reporting from the SBTL to COs and management officials in the Bureau of Administration.

**Recommendation 7:** OIG recommends that the Bureau of Administration develop and implement standard operating procedures describing Contracting Officers' responsibilities to (1) determine contractors' good faith efforts to comply with their small business subcontracting plans and (2) take action to address a contractor's failure to make a good faith effort to comply with the requirements in Federal Acquisition Regulation 19.705-7.

**Management Response:** The Bureau of Administration concurred with the recommendation, stating that it will “develop a Small Business Subcontracting Plan Procedures Guide” for COs that will include post-award CO responsibilities.

**OIG Reply:** On the basis of the Bureau of Administration’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has developed and implemented standard operating procedures describing COs’ responsibilities to (1) determine contractors’ good faith efforts to comply with their SBSPs and (2) take action to address a contractor’s failure to make a good faith effort to comply with FAR requirements.

**Recommendation 8:** OIG recommends that the Bureau of Administration develop and implement standard operating procedures describing Contracting Officers’ responsibilities to comply with the contractor past performance evaluation requirements in Federal Acquisition Regulation 42.1502. At a minimum, the procedures should include timely and accurate assessments of contractors’ small business subcontracting plan performance in the Contracting Performance Assessment Reporting System.

**Management Response:** The Bureau of Administration concurred with the recommendation, stating that it will include the requirements for compliance with the CPARS and FAR 42.1502 in the Small Business Subcontracting Plan Procedures Guide for Contracting Officers.

**OIG Reply:** On the basis of the Bureau of Administration’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has developed and implemented standard operating procedures describing COs’ responsibilities to comply with the contractor past performance evaluation requirements in FAR 42.1502, including procedures for timely and accurate assessments of contractors’ SBSP performance in the CPARS.

## **Conclusion**

### ***Impact on Small and Socioeconomic Small Businesses***

As a result of the issues identified during this audit, AQM did not provide maximum practicable opportunity for small businesses, including those in socioeconomically disadvantaged categories, to participate in Department contracting activities. Consequently, small businesses may have been denied subcontracting opportunities that prime contractors were required to make a good faith effort to provide. According to the FAR, maximum practicable use of small business subcontractors in government contracts “is a matter of national interest with both

social and economic benefits.”<sup>110</sup> Therefore, COs must work to increase contracting opportunities for small businesses and work to identify and remove potential barriers that these disadvantaged communities may face in participating in agency procurement and contracting opportunities.<sup>111</sup>

By participating in federal subcontracting, small businesses have the opportunity to expand and position themselves to become prime contractors in future awards, thereby providing the federal government, as well as the Department, a bigger, more diverse, and more competitive pool of contractors from which to procure goods and services at reasonable prices. However, AQM’s deficiencies in SBSP administration and oversight may have deprived deserving small businesses of equitable opportunities. Until the Department acts to fully comply with the FAR and Department guidance 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 that could enhance the Department’s ability to obtain quality services at reasonable prices.

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<sup>110</sup> FAR 19.705-7(a), “Compliance with the subcontracting plan.”

<sup>111</sup> DOSAM 619.201(a), Small Business Programs, “General Policy.”

## RECOMMENDATIONS

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**Recommendation 1:** OIG recommends that the Bureau of Administration develop and implement oversight activities to effectively administer subcontracting plans. At a minimum, this should include reviewing administrative actions and communicating policies and procedures to Contracting Officers to comply with the statutory requirements from Federal Acquisition Regulation 19.702 for subcontracting plans.

**Recommendation 2:** OIG recommends that the Bureau of Administration, within 6 months of the issuance of this report, issue guidance to Contracting Officers that includes a mechanism for the maintenance of contract files and required documentation if eFiling is not required to be used.

**Recommendation 3:** OIG recommends that the Bureau of Administration, within 6 months of the issuance of this report, develop and implement oversight procedures to confirm that contract actions are properly designated in the Federal Procurement Data System – Next Generation.

**Recommendation 4:** OIG recommends that the Bureau of Administration issue guidance and training to Contracting Officers that includes the proper interpretation of subcontracting plan requirements and exemptions, in accordance with Federal Acquisition Regulation 19.702(b)(1-4) and Department of State Acquisition Regulation 619.000(b).

**Recommendation 5:** OIG recommends that the Bureau of Administration develop and implement a process for achieving the goals, objectives, and timeframes for individual subcontracting report reviews, as prescribed in Federal Acquisition Regulation 19.705-6(f)(1)(2), Department of State Acquisition Manual 619.705-6, and supplemental guidance. At a minimum, this should include identifying and reporting to management contractors that fail to submit required reports.

**Recommendation 6:** OIG recommends that the Bureau of Administration develop and implement standard operating procedures describing the post-award responsibilities of Contracting Officers to comply with Federal Acquisition Regulation 19.705-6. At a minimum, the procedures should include regular reporting from the Small Business Technical Liaison to Contracting Officers and management officials in the Bureau of Administration, Office of Global Acquisitions, Acquisitions Management Directorate.

**Recommendation 7:** OIG recommends that the Bureau of Administration develop and implement standard operating procedures describing Contracting Officers' responsibilities to (1) determine contractors' good faith efforts to comply with their small business subcontracting plans and (2) take action to address a contractor's failure to make a good faith effort to comply with the requirements in Federal Acquisition Regulation 19.705-7.

**Recommendation 8:** OIG recommends that the Bureau of Administration develop and implement standard operating procedures describing Contracting Officers' responsibilities to

comply with the contractor past performance evaluation requirements in Federal Acquisition Regulation 42.1502. At a minimum, the procedures should include timely and accurate assessments of contractors' small business subcontracting plan performance in the Contracting Performance Assessment Reporting System.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The Office of Inspector General (OIG) conducted this audit to determine (1) whether the Department of State's (Department) administration and monitoring of small business subcontracting plans (SBSP) adhered to federal and Department requirements and (2) whether selected prime contractors attained the stated goals and objectives of those plans.

OIG conducted this audit from April to December 2024 in the Washington, DC, metropolitan area. The scope of this audit was SBSPs for contracts valued above \$750,000 (\$1.5 million for construction contracts) that were awarded from October 1, 2020, through September 30, 2022. OIG focused its audit work on individual subcontracting plans rather than commercial subcontracting plans. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

To obtain background information for this audit, OIG reviewed federal laws and regulations and Department policies and procedures. Specifically, OIG reviewed the Federal Acquisition Regulation; the Foreign Affairs Manual; the Foreign Affairs Handbook; the Department of State Acquisition Regulation; the Department of State Acquisition Manual; applicable Bureau of Administration, Office of the Procurement Executive (OPE),<sup>1</sup> guidance; and Office of Small and Disadvantaged Business Utilization guidance related to subcontracting plans.

During fieldwork, OIG interviewed key Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM)<sup>2</sup> and Office of Small and Disadvantaged Business Utilization officials associated with the administration and monitoring of SBSPs. Additionally, OIG reviewed SBSPs and supporting documentation. Specifically, for the contracts selected for testing, OIG reviewed SBSP submissions including the Department Subcontracting Plan Review Form, solicitations, justification and approval documents, Individual Subcontracting Reports, Contractor Performance Assessment Reporting System reports, and Federal Procurement Data System-Next Generation (FPDS-NG)<sup>3</sup> reports.

### **Data Reliability**

OIG used computer-processed data provided by AQM from FPDS-NG to identify the universe of contracts valued above \$750,000 (\$1.5 million for construction contracts) that were awarded

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<sup>1</sup> After the completion of audit fieldwork, the Bureau of Administration implemented a reorganization of its offices and realigned their acquisitions expertise within OPE under the Deputy Assistant Secretary for Global Acquisitions.

<sup>2</sup> After the completion of audit fieldwork, the Bureau of Administration implemented a reorganization of its offices, and AQM became the Acquisitions Management Directorate within the Office of Global Acquisitions. In this report, OIG refers to the office by the name that was in use during audit fieldwork.

<sup>3</sup> The Federal Procurement Data System is a computer-based system used by the federal government for collecting, developing, and disseminating procurement data.

from October 1, 2020, through September 30, 2022. To assess the completeness and accuracy of the universe of awarded contracts, OIG compared a subset of the universe data provided by AQM with data in USASpending.gov.<sup>4</sup> Overall, OIG concluded that the combined data were sufficiently reliable to select contracts for review and meet the objectives of the audit.

**Work Related to Internal Control**

During the audit, OIG considered a number of factors, including the subject matter of the project, to determine whether internal control was significant to the audit objective. Based on its consideration, OIG determined that internal control was significant for this audit. OIG then considered the components of internal control and the underlying principles included in the *Standards for Internal Control in the Federal Government*<sup>5</sup> to identify internal controls that were significant to the audit objective. Considering internal control in the context of a comprehensive internal control framework can help auditors to determine whether underlying internal control deficiencies exist.

For this audit, the audit team concluded that three of five internal control components from the *Standards for Internal Control in the Federal Government*—Control Environment, Control Activities, and Monitoring—were significant to the audit objectives. The Control Environment component is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. The Control Activities component includes the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system. The Monitoring component relates to activities management establishes and operates to assess the quality of performance over time and to promptly resolve the findings of audits and other reviews. OIG also concluded that three of the principles related to the selected components were significant to the audit objective, as described in Table A.1.

**Table A.1: Internal Control Components and Principles Identified as Significant**

<b>Components</b>	<b>Principles</b>
Control Environment	Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity’s objective.
Control Activities	Management should design control activities to achieve objectives and respond to risks.
Monitoring	Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

**Source:** Generated by OIG from an analysis of internal control components and principles from the Government Accountability Office, *Standards for Internal in the Federal Government* (GAO-14-704G, September 2014).

<sup>4</sup> USASpending.gov is the official source for spending data for the U.S. government. Its mission is to show the American public what the federal government spends every year and how it spends the money.

<sup>5</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

OIG interviewed Department officials and reviewed Department procedures and contract documentation to obtain an understanding of the internal controls related to the components and principles identified as significant for this audit. OIG assessed the design of key internal controls. Specifically, OIG did the following:

- Assessed contracts selected for review to determine which were awarded to a small business and, therefore, did not require a SBSP.
- Analyzed SBSP documentation associated with the contracts selected for review to determine whether Contracting Officers administered SBSPs in accordance with applicable federal and Department regulations.
- Reviewed Individual Subcontracting Reports and contractor performance assessment reports to determine whether Contracting Officers monitored and evaluated contractors' compliance with SBSPs in accordance with federal regulations and Department guidance.

Internal control deficiencies identified during the audit that are significant within the context of the audit objective are presented in the Audit Results section of this report.

## **Sampling Methodology**

OIG's sampling objective was to select a sample of contracts associated with SBSP requirements for testing.

### ***Contracts Selected for Review***

To determine whether SBSPs were administered in accordance with federal regulations and Department guidance, OIG used nonstatistical sampling<sup>6</sup> to select contracts that met the monetary threshold of \$750,000 (\$1.5 million for construction) for subcontracting plans. OIG selected contracts that were designated in one of three categories in FPDS-NG:

- "Plan Not Required" – to assess if the contract was awarded to a small business.
- "Plan Not Included – No Subcontracting Possibilities" – to assess whether Contracting Officers completed a determination that no subcontracting possibilities existed.
- "Individual Subcontract Plan" – to assess whether Contracting Officers reviewed, approved, and administered SBSPs in accordance with federal and Department guidance).

Due to resource constraints, this audit employed nonstatistical sampling, which relies on professional judgement to select contracts for review. This approach allowed the audit to focus on high-risk areas and meet its objectives; however, the findings are not generalizable to the entire universe of contracts.

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<sup>6</sup> Nonstatistical sampling draws on the auditor's experience and professional judgment in selecting units for evidence from the sampling frame.

OIG's goal was to select a sample that included contracts awarded by the Department as the parent awarding agency from October 1, 2020, through September 30, 2022. OIG also prioritized selecting contracts from a variety of funding offices and contracts with high contract values.

OIG obtained from AQM a universe of FY 2021 contracts that included 1,831 ongoing multiyear contracts totaling \$8,243,852,071. OIG removed contracts that were not awarded in FY 2021. OIG also obtained a universe of FY 2022 contracts that included 1,928 ongoing multiyear contracts totaling \$10,389,346,595. OIG removed contracts in the universe that were not awarded in FY 2022.

In addition, OIG removed from both groups contracts that were labeled as "blanket purchase agreement call" because those contracts were associated with an existing established contract. OIG also removed all contracts awarded by non-Department agencies and contracts designated as "Commercial Subcontract Plan." From the remaining 195 FY 2021 contracts, totaling \$1,480,679,027, OIG judgmentally selected 32 contracts for testing. Details of the selected FY 2021 contracts are shown in Table A.2.

**Table A.2: FY 2021 Contracts Selected for Review**

<b>Contract</b>	<b>Date Awarded</b>	<b>Subcontracting Plan Designation</b>	<b>Contract Amount</b>
<b>Bureau of Overseas Buildings Operations</b>			
Contract 1	9/24/2021	Individual Subcontract Plan (ISP)	\$209,882,382
Contract 2	2/3/2021	ISP	\$3,600,000
Contract 3	12/8/2020	ISP	\$2,768,713
Contract 4	9/29/2021	ISP	\$1,731,985
Contract 5	9/30/2021	ISP	\$1,719,871
Contract 6	9/17/2021	ISP	\$1,622,407
Contract 7	1/8/2021	ISP	\$1,297,673
Contract 8	7/28/2021	ISP	\$1,265,246
Contract 9	9/29/2021	ISP	\$1,262,796
Contract 10	12/11/2020	ISP	\$1,245,020
Contract 11	6/1/2021	ISP	\$1,222,581
Contract 12	9/28/2021	ISP	\$1,089,171
Contract 13	9/17/2021	Plan Not Required	\$319,027,389
Contract 14	9/3/2021	Plan Not Required	\$228,539,686
Contract 15	9/20/2021	Plan Not Required	\$28,817,708
<b>Bureau of Diplomatic Security</b>			
Contract 16	9/24/2021	ISP	\$33,803,389
Contract 17	9/15/2021	ISP	\$4,777,289
Contract 18	9/30/2021	ISP	\$3,710,356
Contract 19	8/18/2021	ISP	\$780,766
Contract 20	6/2/2021	Plan Not Included – No Subcontracting Possibilities	\$2,468,623
Contract 21	9/30/2021	Plan Not Included – No	\$2,098,330

<b>Contract</b>	<b>Date Awarded</b>	<b>Subcontracting Plan Designation</b>	<b>Contract Amount</b>
Subcontracting Possibilities			
Contract 22	11/1/2020	Plan Not Included – No Subcontracting Possibilities	\$1,958,000
Bureau of African Affairs			
Contract 23	11/2/2020	ISP	\$10,084,082
Contract 24	9/9/2021	ISP	\$798,494
Bureau of Administration			
Contract 25	9/14/2021	ISP	\$1,961,278
Bureau of International Security and Proliferation			
Contract 26	9/30/2021	ISP	\$1,649,466
Foreign Service Institute			
Contract 27	8/19/2021	ISP	\$1,479,477
Office of the Secretary of State			
Contract 28	9/24/2021	ISP	\$900,000
Bureau of Population, Refugees, and Migration			
Contract 29	9/15/2021	Plan Not Required	\$133,425,000
Bureau of Near Eastern Affairs			
Contract 30	9/19/2021	Plan Not Required	\$18,719,658
Office of Medical Services			
Contract 31	6/14/2021	Plan Not Included – No Subcontracting Possibilities	\$2,820,800
Bureau of Human Resources			
Contract 32	12/10/2020	Plan Not Included – No Subcontracting Possibilities	\$2,311,163
<b>Total</b>			<b>\$1,028,838,799</b>

Source: OIG-generated based on data obtained from AQM.

From the remaining 257 FY 2022 contracts, totaling \$2,297,953,846, OIG judgmentally selected 33 contracts for testing. Details of the selected FY 2022 contracts are shown in Table A.3.

**Table A.3: FY 2022 Contracts Selected for Review**

<b>Contract</b>	<b>Date Awarded</b>	<b>Subcontracting Plan Designation</b>	<b>Contract Amount</b>
Bureau of Overseas Buildings Operations			
Contract 33	9/28/2022	ISP	\$533,846,114
Contract 34	6/10/2022	ISP	\$372,841,547
Contract 35	7/28/2022	ISP	\$321,018,682
Contract 36	12/7/2021	ISP	\$261,481,312
Contract 37	2/2/2022	ISP	\$4,992,600
Contract 38	9/13/2022	ISP	\$2,237,963
Contract 39	2/17/2022	ISP	\$1,864,507
Contract 40	9/29/2022	ISP	\$1,727,108

<b>Contract</b>	<b>Date Awarded</b>	<b>Subcontracting Plan Designation</b>	<b>Contract Amount</b>
Contract 41	9/6/2022	ISP	\$1,589,451
Contract 42	6/7/2022	ISP	\$1,557,967
Contract 43	3/3/2022	ISP	\$1,420,626
Contract 44	2/16/2022	ISP	\$1,179,000
Contract 45	2/2/2022	ISP	\$1,156,793
Contract 46	9/20/2022	ISP	\$954,228
Contract 47	9/21/2022	ISP	\$950,647
Contract 48	9/21/2022	ISP	\$936,284
Contract 49	7/20/2022	Plan Not Required	\$12,564,622
Contract 50	9/8/2022	Plan Not Included – No Subcontracting Possibilities	\$9,116,310
<b>Bureau of Diplomatic Security</b>			
Contract 51	11/1/2021	ISP	\$12,300,000
Contract 52	2/17/2022	ISP	\$9,557,801
Contract 53	4/20/2022	ISP	\$1,697,146
Contract 54	1/10/2022	ISP	\$1,160,036
Contract 55	9/30/2022	Plan Not Required	\$16,725,602
Contract 56	9/30/2022	Plan Not Included – No Subcontracting Possibilities	\$10,619,532
<b>Bureau of International Security and Proliferation</b>			
Contract 57	7/22/2022	ISP	\$11,074,428
Contract 58	9/26/2022	ISP	\$1,762,077
<b>Bureau of Near Eastern Affairs</b>			
Contract 59	9/30/2022	Plan Not Required	\$24,033,009
<b>Bureau of Political-Military Affairs</b>			
Contract 60	9/30/2022	ISP	\$47,634,733
<b>Office of Emergencies in the Diplomatic and Consular Service</b>			
Contract 61	1/30/2022	Plan Not Required	\$30,000,000
<b>Bureau of Administration</b>			
Contract 62	6/16/2022	Plan Not Required	\$28,736,133
<b>Bureau of International Narcotics and Law Enforcement Affairs</b>			
Contract 63	9/30/2022	Plan Not Included – No Subcontracting Possibilities	\$7,766,796
<b>Office of the Chief of Protocol</b>			
Contract 64	3/18/2022	Plan Not Included – No Subcontracting Possibilities	\$7,756,730
Contract 65	3/18/2022	Plan Not Included – No Subcontracting Possibilities	\$7,707,148
<b>Total:</b>			<b>\$1,749,966,932</b>

Source: OIG-generated based on contract data obtained from AQM.

## APPENDIX B: COMPLIANCE WITH REQUIREMENTS FOR SMALL BUSINESS SUBCONTRACTING PLANS

During the audit, the Office of Inspector General (OIG) selected 65 contracts for testing that were awarded from October 1, 2020, through September 30, 2022. OIG identified issues related to documentation, including missing approved small business subcontracting plans or justifications, missing required individual subcontracting reports, and the lack of timely and accurate reports in the Contractor Performance Assessment Reporting System (CPARS),<sup>7</sup> as shown in Table B.1.

**Table B.1: Compliance With Requirements for Small Business Subcontracting Plans by Contract**

<b>Contract</b>	<b>Approved Subcontracting Plan or Justification</b>	<b>Other Document Deficiencies<sup>a</sup></b>	<b>Individual Subcontracting Reports Submitted<sup>b</sup></b>	<b>Reports in CPARS<sup>c</sup></b>
Contract 1	No	Yes	5/5	2/2
Contract 16	No	Yes	0/4	0/2
Contract 23	No	Yes	6/6	1/3
Contract 17	No	Yes	6/6	0/2
Contract 18	No	Yes	0/6	1/2
Contract 2	Yes	No	0/6	0/2
Contract 3	No	Yes	0/6	0/2
Contract 25	No	Yes	6/6	0/1
Contract 4	No	Yes	0/6	0/2
Contract 5	No	Yes	6/6	0/2
Contract 26	No	Yes	3/6	0/4
Contract 6	No	Yes	0/5	0/2
Contract 27	No	Yes	0/6	0/2
Contract 7	Yes	No	0/6	0/1
Contract 8	No	Yes	1/6	0/3
Contract 9	Yes	No	6/6	0/1
Contract 10	Yes	No	0/6	0/1
Contract 11	Yes	No	0/6	0/1
Contract 12	No	Yes	6/6	0/1
Contract 28	No	Yes	6/6	0/2
Contract 24	No	Yes	N/A	2/2
Contract 19	No	Yes	5/5	0/2
Contract 13	No	No	N/A	N/A
Contract 14	Yes	No	N/A	N/A
Contract 29	Yes	No	N/A	N/A
Contract 15	Yes	No	N/A	N/A
Contract 30	No	Yes	N/A	N/A

<sup>7</sup> CPARS is the government-wide evaluation system for assessing contractors' past performance.

<b>Contract</b>	<b>Approved Subcontracting Plan or Justification</b>	<b>Other Document Deficiencies<sup>a</sup></b>	<b>Individual Subcontracting Reports Submitted<sup>b</sup></b>	<b>Reports in CPARS<sup>c</sup></b>
Contract 31	Yes	No	N/A	N/A
Contract 20	Yes	No	N/A	N/A
Contract 32	No	Yes	N/A	N/A
Contract 21	Yes	No	N/A	N/A
Contract 22	Yes	No	N/A	N/A
Contract 33	No	Yes	0/3	0/1
Contract 34	No	Yes	3/3	1/1
Contract 35	No	Yes	3/3	0/2
Contract 36	No	Yes	3/4	0/2
Contract 60	No	Yes	3/3	1/1
Contract 51	No	Yes	4/4	2/2
Contract 57	No	Yes	0/3	1/3
Contract 52	No	Yes	3/3	0/1
Contract 37	No	Yes	0/4	0/2
Contract 38	Yes	No	3/3	0/1
Contract 39	No	Yes	1/4	1/2
Contract 58	No	Yes	0/3	0/4
Contract 40	No	Yes	0/3	0/1
Contract 53	No	Yes	0/2	0/1
Contract 41	Yes	No	3/3	0/1
Contract 42	Yes	No	3/3	0/1
Contract 43	No	Yes	4/4	1/1
Contract 44	No	Yes	4/4	0/2
Contract 54	No	Yes	4/4	2/2
Contract 45	No	Yes	0/3	0/2
Contract 46	No	Yes	0/3	0/1
Contract 47	No	Yes	0/3	0/1
Contract 48	No	Yes	0/3	0/1
Contract 61	Yes	No	N/A	N/A
Contract 62	Yes	No	N/A	N/A
Contract 59	Yes	No	N/A	N/A
Contract 55	Yes	No	N/A	N/A
Contract 49	Yes	No	N/A	N/A
Contract 56	Yes	No	N/A	N/A
Contract 50	No	Yes	N/A	N/A
Contract 63	No	Yes	N/A	N/A

<b>Contract</b>	<b>Approved Subcontracting Plan or Justification</b>	<b>Other Document Deficiencies<sup>a</sup></b>	<b>Individual Subcontracting Reports Submitted<sup>b</sup></b>	<b>Reports in CPARS<sup>c</sup></b>
Contract 64	No	Yes	N/A	N/A
Contract 65	No	Yes	N/A	N/A

<sup>a</sup> Other document deficiencies included missing subcontracting plan review forms, evidence of solicitation reviews, or justifications for not including a small business subcontracting plan.

<sup>b</sup> N/A in column indicates Individual Subcontracting Reports were not required because the contract did not have a small business subcontracting plan.

<sup>c</sup> N/A in column indicates that contractor assessment reports were not required because the contracts were designated as "Plan Not Required" and "Plan Not Included – No Subcontracting Possibilities."

**Source:** OIG-generated based on analysis of contract documentation obtained from the Office of Acquisition Management, the Electronic Subcontracting Reporting System, and CPARS.

## APPENDIX C: BUREAU OF ADMINISTRATION RESPONSE

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**United States Department of State**


***Washington, D.C. 20520***

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March 11, 2025

### MEMORANDUM

TO: OIG/AUD – Norman Brown

FROM: A/GA – Ramona Watts-Sutton  Ramona E Watts-Sutton  
Digitally signed by Ramona E Watts-Sutton  
Date: 2025.03.12 14:59:08 -04'00'

SUBJECT: A/GA Management Response to Draft Report - Audit of Department of State Administration of Subcontracting Plans for Small Businesses

Thank you for the opportunity to provide a response to the subject report. The point of contact for this report is the A/GA Front Office ([A-GA-FrontOffice@state.gov](mailto:A-GA-FrontOffice@state.gov)).

**Recommendation 1:** OIG recommends that the Bureau of Administration develop and implement oversight activities to effectively administer subcontracting plans. At a minimum, this should include reviewing administrative actions and communicating policies and procedures to Contracting Officers to comply with the statutory requirements from Federal Acquisition Regulation 19.702 for subcontracting plans.

**Management Response to Draft Report (03/11/25):** The Bureau of Administration, Global Acquisition (A/GA) concurs with the recommendation and will work with the appropriate offices to develop and implement oversight activities to effectively administer subcontracting plans that align with Federal Acquisition Regulation (FAR 19.702).

**Recommendation 2:** OIG recommends that the Bureau of Administration, within six months of the issuance of this report, issue guidance to Contracting Officers that includes a mechanism for the maintenance of contract files and required documentation if eFiling is not required to be used.

**Management Response to Draft Report (03/11/25):** The Bureau of Administration, Global Acquisition (A/GA) concurs with the recommendation and

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will issue guidance to Contracting Officers that identifies the contract documentation to be maintained in efiles.

**Recommendation 3:** OIG recommends that the Bureau of Administration, within six months of the issuance of this report, develop and implement oversight procedures to confirm that contract actions are properly designated in the Federal Procurement Data System – Next Generation.

**Management Response to Draft Report (03/11/25):** The Bureau of Administration, Global Acquisition (A/GA) concurs with the recommendation and will develop and implement oversight procedures to confirm that contract actions properly designate subcontracting report information in the Federal Procurement Data System – Next Generation (FPDS).

**Recommendation 4:** OIG recommends that the Bureau of Administration issue guidance and training to Contracting Officers that includes the proper interpretation of subcontracting plan requirements and exemptions, in accordance with Federal Acquisition Regulation 19.702(b)(1-4) and Department of State Acquisition Regulation 619.000(b).

**Management Response to Draft Report (03/11/25):** The Bureau of Administration, Global Acquisition (A/GA) concurs with the recommendation and will utilize any guidance developed under these recommendations to provide training to Contracting Officers regarding subcontracting plan requirements and exemptions as outlined in the FAR, DOSAR, and DOSAM.

**Recommendation 5:** OIG recommends that the Bureau of Administration develop and implement a process for achieving the goals, objectives, and timeframes for individual subcontracting report reviews, as prescribed in Federal Acquisition Regulation 19.705-6(f)(1)(2) and Procurement Information Bulletin 2019-07. At a minimum, this should include identifying and reporting to management contractors that fail to submit required reports.

**Management Response to Draft Report (03/11/25):** The Bureau of Administration, Global Acquisition (A/GA) concurs with the intent of this recommendation; however, requests that it be revised. Procurement Information Bulletin 2019-07 was rescinded and all direction regarding the postaward

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responsibilities of the contracting officer **is now** included in the Department of State Acquisition Manual in 619.705-6, which requires the use of eSRS. eSRS requirements are detailed in FAR subpart 19.7, and the eSRS website provides an eSRS CO User Guide. Additional requirements outside FAR subpart 19.7 and eSRS user guides regarding a contractor's failure to submit required reports will be included in supplemental guidance. A/GA respectfully requests the recommendation be reworded, removing reference to the Procurement Information Bulletin and only requiring any supplemental guidance that is not addressed in current policies.

**Recommendation 6:** OIG recommends that the Bureau of Administration develop and implement standard operating procedures describing the post-award responsibilities of Contracting Officers to comply with Federal Acquisition Regulation 19.705-6. At a minimum, the procedures should include regular reporting from the Small Business Technical Liaison to Contracting Officers and management officials in the Bureau of Administration, Office of Global Acquisitions, Acquisitions Management Directorate.

**Management Response to Draft Report (03/11/25):** The Bureau of Administration, Global Acquisition (A/GA) concurs with the recommendation and will develop a Small Business Subcontracting Plan Procedures Guide for Contracting Officers as a standard operating procedure that include post-award Contracting Officer's responsibilities.

**Recommendation 7:** OIG recommends that the Bureau of Administration develop and implement standard operating procedures describing Contracting Officers' responsibilities to (1) determine contractors' good faith efforts to comply with their small business subcontracting plans and (2) take action to address a contractor's failure to make a good faith effort to comply with the requirements in Federal Acquisition Regulation 19.705-7.

**Management Response to Draft Report (03/11/25):** The Bureau of Administration, Global Acquisition (A/GA) concurs with the recommendation and will develop a Small Business Subcontracting Plan Procedures Guide for Contracting Officers as a standard operating procedure that include post-award Contracting Officer's responsibilities, including those outlined in this recommendation.

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**Recommendation 8:** OIG recommends that the Bureau of Administration develop and implement standard operating procedures describing Contracting Officers' responsibilities to comply with the contractor past performance evaluation requirements in Federal Acquisition Regulation 42.1502. At a minimum, the procedures should include timely and accurate assessments of contractors' small business subcontracting plan performance in the Contracting Performance Assessment Reporting System.

**Management Response to Draft Report (03/11/25):** The Bureau of Administration, Global Acquisition (A/GA) concurs with the recommendation and will include in the Small Business Subcontracting Plan Procedures Guide for Contracting Officers the requirements for compliance with the Contracting Performance Assessment Reporting System and FAR 42.1502.

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## ABBREVIATIONS

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AQM	Office of Acquisitions Management
CO	Contracting Officer
CPARS	Contractor Performance Assessment Reporting System
DOSAM	Department of State Acquisition Manual
DOSAR	Department of State Acquisition Regulation
eSRS	Electronic Subcontracting Reporting System
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System – Next Generation
GAO	Government Accountability Office
HUBZone	historically underutilized business zone
ISP	individual subcontracting plan
ISR	Individual Subcontract Report
OIG	Office of Inspector General
OSDBU	Office of Small and Disadvantaged Business Utilization
SBA	Small Business Administration
SBSP	small business subcontracting plan
SBTL	Small Business Technical Liaison
SSR	Summary Subcontract Report

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