
³ National Defense Authorization Act for Fiscal Years 1990 and 1991, P.L. 101-189, § 834.

⁴ DOD collects data about businesses performing work outside the U.S., but not data on whether businesses are domestic or foreign-owned.

⁵ For more information about data reliability concerns, see U.S. General Accounting Office, *Reliability of Federal Procurement Data*, GAO-04-295R (Washington, D.C.: Dec. 30, 2003).

effectiveness. DOD contracted for an assessment of the Test Program in 2002. However, the results of that assessment are considered preliminary, and the report has not been issued.⁶ DOD, DCMA, and contractor officials we interviewed have various views on the strengths and weaknesses of the program. Some officials believe the Test Program increases high-level corporate attention, while others thought it reduces accountability at lower corporate-levels and visibility of contractors meeting their small business goals for individual contracts. DOD is required to report the results of the Test Program in 2005 when the program is set to expire.

DOD contractors participating in the Test Program have experienced mixed success in meeting their various small business subcontracting goals. DOD and contractor officials noted that a changing acquisition environment has added to their challenge in meeting small business goals. Two of the major challenges they identified include (1) the increased breadth, scope, and complexity of DOD prime contracts that require, among other things, teaming arrangements with other, typically large contractors and (2) prime contractors' strategic-sourcing decisions to leverage their purchasing power by reducing the number of their suppliers including small businesses. According to DOD and contractor officials, both have the potential to either restrict subcontracting opportunities for small businesses or push those opportunities to lower tiers of the supply chain. Contractor officials also said their ability to meet some small business goals is influenced by the limited supply of qualified small businesses that could provide the needed goods and services.

To improve oversight of contractor performance in meeting small business subcontracting goals, DCMA began changing its approach in 2002. The revised approach is designed to better monitor contractors' efforts, provide more consistency in assessing contractor performance, and hold contractors accountable for achieving their subcontracting goals. While DCMA has made significant changes to its policy and guidance, it is still in the process of revamping its oversight activities.

We could not assess the full extent contractors' subcontract with firms performing outside the U.S. because of data reliability concerns. DOD only recently took action to improve the information collected on subcontracting with overseas firms. Contractors in our review reported

⁶ Logistics Management Institute, *Review of the Department of Defense Comprehensive Subcontracting Plan Test Program*, AQ001R2 (McLean, Va.: July 2002), Draft.