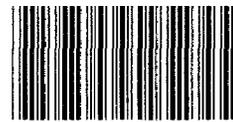


GAO

October 1986

SMALL BUSINESS ACT

DOT's Disadvantaged Business Advocate Reports to Proper Management Level



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**Resources, Community, and
Economic Development Division****B-222903.11**

October 31, 1986

The Honorable Elizabeth H. Dole
The Secretary of Transportation

Dear Madam Secretary:

In letters dated January 14 and May 2, 1986, the Chairman, House Committee on Small Business, requested that we review 13 agencies to determine their compliance with Section 15(k) of the Small Business Act. In subsequent discussions, the Chairman's office defined the primary concern as the agencies' compliance with Section 15(k)(3). This subsection describes the required reporting level for each agency's Director, Office of Small and Disadvantaged Business Utilization (OSDBU). The Department of Transportation (DOT) was one of the departments selected.

Sections 15(k)(1) and (2) of the Small Business Act require each federal agency with procurement powers to establish an OSDBU and require that the agency head appoint a Director for this office. Section 15(k)(3) requires that the Director shall be responsible only to and report directly to the agency head or deputy. The remaining Section 15(k) subsections describe the Director's duties and responsibilities.

The legislative history of Section 15(k) of the Small Business Act shows that the Congress intended to mandate a direct reporting relationship between the OSDBU Director and the agency head or deputy. A report by the Senate Select Committee on Small Business noted that, in the past, officials who were responsible for small business participation at federal agencies often did not hold high enough positions in the agency to be effective.

The purpose of Section 15(k)(3) is to provide the Director immediate access to the agency's top policymakers and thus maximize the Director's effectiveness as an advocate of small and disadvantaged businesses.

To determine if DOT was in compliance with the Small Business Act, Section 15(k)(3), we interviewed the Director, OSDBU, and reviewed organizational charts, a description of the OSDBU Director's responsibilities, a prior Director's performance evaluation, and management instructions concerning the Office's establishment, mission, reporting level, and current operations. We also reviewed the Small Business Act and its legislative history. Our work was performed in May and June 1986 at DOT's

Washington, D.C., headquarters and was done in accordance with generally accepted government auditing standards.

DOT Is in Compliance With the Law

The Department's OSDBU was established on June 12, 1979, and is located in the Office of the Secretary. From the OSDBU's inception its Director has been responsible only to, and has reported directly to, the Secretary or Deputy Secretary (who is the second highest departmental official). Therefore, we conclude that DOT is in compliance with the Small Business Act provisions concerning the OSDBU Director's required reporting level.

As requested by the Chairman's office, we did not obtain DOT's official comments on this report. However, we did discuss its contents and conclusion with the Director, OSDBU, who agreed that it fairly represents the conditions at DOT.

As arranged with the Chairman's office, we are sending copies of this report to the Chairman, House Committee on Small Business; the Director, Office of Management and Budget; and other interested parties upon request.

Sincerely yours,



J. Dexter Peach
Assistant Comptroller General

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