EVALUATION OF CERTIFY.SBA.GOV

REPORT NUMBER 20-17 | JULY 30, 2020

What OIG Reviewed

This evaluation addresses SBA's most recent information technology (IT) initiative intended to improve SBA's small business contracting programs, Certify.SBA.Gov, referred to as Certify.

SBA's contracting programs are vital to achieving federal procurement goals and supporting small business revenue and job growth. These programs include the:

- 8(a) Business Development Program
- Historically Underutilized Business Zone (HUBZone) Program
- Women-Owned Small Business Program
- All Small Mentor-Protégé Program

In 2015, SBA initiated an IT investment to improve key applications related to SBA's contracting programs. Certify was envisioned to be the single gateway to all of SBA's contracting programs and a vehicle to improve small business participation in federal contracts. Additionally, the primary goal of Certify was to streamline the certification process and improve productivity by providing management views of in-progress applications, automate repetitive tasks, make document review straightforward, and provide tools for identifying fraud, waste, and abuse. SBA's Business Technology Investment Committee ratified Certify's objectives and approved an 11-year project lifecycle cost estimate of $45 million on May 20, 2015.

Our objectives were to determine whether (1) Certify improved SBA's certification processes and (2) SBA followed applicable federal project management guidance when developing, implementing, and overseeing Certify. Our scope included Certify's development, implementation, and oversight from its ratification in fiscal year 2015 to the end of fiscal year 2019.

What OIG Found

We found that Certify has not accomplished its objectives to significantly improve SBA's certification processes or facilitate small business participation in federal contracts. Although SBA has spent more than $30 million on the development of Certify and it offers some improved functionality, it does not have many of the essential search, analytical, and reporting tools it was supposed to have.

Since Certify's introduction, SBA's contracting programs have experienced delays in screening and approving applications, monitoring participant progress, and terminating noncompliant 8(a) firms. To compensate for Certify's shortcomings, program analysts must use labor intensive methods external to the Certify platform, reducing Certify's expected benefits for both SBA contracting program analysts and program participants.

We identified a need for improved planning and performance oversight throughout this project. As a result, Certify did not meet its original goal of improving SBA's small business certification process, and the $30 million investment has not yielded its intended results.

Moving forward, SBA plans to migrate to another platform to address Certify's limitations. However, until SBA addresses these oversight weaknesses, there is a continued risk of repeating past project shortcomings.

OIG Recommendations

We made nine recommendations to improve SBA's system development and contracting program management in the following areas: requirements, baseline management, risk management, investment monitoring, and reporting.

Agency Response

Management agreed with recommendations 2-5 and 7-9. Management partially agreed with recommendations 1 and 6. Management's planned actions, discussed in the report, resolved recommendations 5, 7 and 8. However, proposed actions for recommendations 1 through 4, 6 and 9 did not fully address the recommendations. In accordance with our audit follow-up policy, we will attempt to reach agreement with management on the six unresolved recommendations. If unsuccessful, we will notify the audit follow-up official of the disputed issues.

Office of Inspector General

U. S. Small Business Administration

DATE: July 30, 2020

TO: Jovita Carranza
Administrator

FROM: Hannibal "Mike" Ware
Inspector General

SUBJECT: Evaluation of Certify. SBA. Gov

The report presents the results of our evaluation on SBA's Certify.SBA.Gov. We considered management's comments on the draft of this report when preparing the final report. Management agreed with recommendations 2-5 and 7-9 and partially agreed with recommendations 1 and 6.

We appreciate the courtesies and cooperation extended to us during this evaluation. If you have any questions, please contact me or Andrea Deadwyler, Assistant Inspector General of Audits at (202) 205-6586.

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Introduction

This evaluation assesses SBA's $30 million Certify.SBA.Gov (Certify) development effort, which is intended to benefit the following SBA small business contracting assistance programs:

- **8(a) Business Development Program**—The 8(a) Program helps small, disadvantaged businesses compete in the marketplace through business development assistance, including access to federal contracting opportunities with limited competition.

- **Historically Underutilized Business Zone Program**—The HUBZone Program helps small businesses in certain designated urban and rural areas gain preferential access to federal contracting opportunities.

- **Women-Owned Small Business Program—**The WOSB Program provides greater access to federal contracting opportunities for WOSBs and economically-disadvantaged WOSBs.

- **All Small Mentor-Protégé Program** – The All Small Mentor-Protégé Program encourages small businesses to gain valuable experience in and access to the federal acquisition marketplace by allowing them to enter into formal partnerships with experienced firms through approved mentor-protégé agreements.

SBA's contracting programs play a vital role in fulfilling the agency's priority goal of more broadly reaching markets that are socially and economically disadvantaged. These contracting programs provide critical assistance to eligible small businesses looking to expand their access to federal contracting opportunities.

Background

Certify is the latest in a series of information technology (IT) initiatives intended to improve SBA's contracting programs (See Appendix IV for a history of 8(a) Program efforts). These initiatives were intended to improve program delivery by increasing analyst productivity, enhancing program oversight, and facilitating the distribution of contracting opportunities.

SBA's contracting programs were supported by legacy IT systems that did not meet the needs of the agency and required cumbersome paper documentation and other time-consuming workarounds. These legacy systems created a difficult and costly experience for qualified small businesses to participate in SBA's contracting programs.

In 2008 before Certify, the agency developed the Business Development Management Information System (BDMIS), a web-based system for the 8(a) Program. Three years later, SBA initiated an effort to replace BDMIS with a new system, OneTrack, which would be used for SBA's 8(a) and HUBZone Programs. However, in 2014, after spending approximately $3.5 million, SBA abandoned this development effort.

Development of the Certify Platform

In 2015, SBA sought assistance from the Office of Management and Budget's (OMB's) U.S. Digital Service (USDS) to improve key applications related to SBA's contracting programs. USDS recommended that SBA develop a single, open-source platform to support all of SBA's contracting programs. In response to these recommendations, SBA began to develop the Certify platform, which would be comprised of different applications for each SBA contracting program.

Certify was intended to improve SBA's contracting programs by streamlining the certification process and creating a single portal where business owners and SBA analysts could benefit from more security, ease of use, efficiency, and flexibility.

For small business owners, Certify was intended to create an online certification process that replaced cumbersome paper forms, allowing users to complete questions that apply only to their company and share uploaded documents across multiple certification applications. For SBA analysts, Certify was meant to set up a new cloud-based data structure where all of SBA's contracting program data could be analyzed in a single place, allowing program analysts to perform new types of reporting and analysis on SBA's impact on small businesses.

Certify was also supposed to build new versions of SBA's outdated small business and subcontracting opportunity search tools. These search tools help contracting officers find eligible small businesses available for federal contracts and publicize subcontracting opportunities vital for many small businesses.

Roles and Responsibilities

The Clinger-Cohen Act requires the Chief Information Officer to monitor the performance of IT projects; evaluate the performance of those projects based on applicable performance measurements; and advise the Administrator whether to continue, modify, or terminate the project.[1] SBA's Office of the Chief Information Officer (OCIO) serves to support the Chief Information Officer's role.

SBA's Business Technology Investment Council (BTIC) serves as the principle governance body overseeing SBA's IT investments. The BTIC includes the Chief Information Officer, the Chief Financial Officer, and other top leaders. SBA's BTIC ratified the objectives for Certify and approved an initial 11-year project lifecycle cost estimate of $45 million in 2015.

Multiple individuals and groups have had a role in the development and design of Certify. In the beginning of Certify's development, SBA also established a new digital services team that was expected to work with SBA's Office of Government Contracting and Business Development (GCBD)[2] officials and USDS developers to provide project management.

However, as reported by OIG in 2016, this new digital services team reported directly to the Chief Operating Officer, potentially bypassing the Chief Information Officer.[3] In 2017, under a new Chief Information Officer, SBA's digital services team was realigned under OCIO. During the course of Certify's development, USDS' involvement gradually increased through 2016 and 2017 to the point where confusion existed between USDS' and SBA's role on the project.

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[1] Division E of Public Law No. 104–106 (*the Information Technology Management Reform Act of 1996*, as amended, commonly known as the Clinger-Cohen Act) also requires that mission-related business processes be analyzed and revised, as appropriate, before making significant investments in supporting IT.

[2] The Office of Government Contracting and Business Development (GCBD) administers the SBA's various contracting programs. GCBD receives vital support from Office of Field Operations analysts spread across SBA's 68 district offices.

[3] SBA OIG Report Number 17-02, *Report on the Most Serious Management and Performance Challenges in Fiscal Year 2017* (October 14, 2016). Management Challenge 2, "SBA's IT Leadership Capabilities Need Strengthening to Address Operational Risks and Challenges."

In early 2019, SBA paused new development and USDS' role in the project ended. In August 2019, a BTIC presentation recommended sweeping changes for the investment going forward. To date, the BTIC has approved more than $30 million of budget requests for Certify.

Certify's Status, as of September 30, 2019

In fiscal year (FY) 2019, SBA reported Certify's total costs to be approximately $30 million. However, the August 2019 BTIC presentation reported the current Certify platform to be unsustainable on a long-term basis due to the cost of maintaining and updating the platform's 35 mostly open-source software items and services.

Additionally, program officials reported that Certify's current design had unaddressed security vulnerabilities and was difficult to understand and improve. Furthermore, program officials found latent defects and data migration errors. These problems led to a significant backlog in help desk requests from program officials and small business participants. As a result, the BTIC approved plans for a complete reengineering of the existing Certify application.

The August 2019 BTIC presentation reported that new development would be migrated to a Microsoft Dynamics 365-based platform as part of SBA's new enterprise customer relation management system initiative. The BTIC presentation projected that initial project applications for the HUBZone and WOSB Programs would be completed by January 2020. Moreover, the BTIC presentation projected milestones for migrating the 8(a) and All Small Mentor Protégé Programs to the new platform by September 2020. In September 2019, SBA awarded a $3.5 million contract to develop new certification management applications on the Dynamics 365 platform and a replacement for the Dynamic Small Business Search. (For a detailed list of Certify's original project objectives compared to its status as of August 2020, see Appendix III.)

Previous Work

During this period of Certify's development (FY 2015–2019), OIG issued multiple reports and recommendations to improve the effectiveness of SBA's contracting program controls, as well as improve IT system development controls. Reviews of SBA's various IT systems identified:

- weaknesses in SBA's IT procurement process,
- failure of multiple IT systems to either launch or effectively meet program needs,
- insufficient preparation by development teams on multiple projects, and
- ineffective oversight controls and risk assessment and mitigation strategies.

Additionally, OIG audit work of SBA's contracting programs identified various weaknesses and inefficiencies, some of which SBA stated would be addressed or improved by implementing Certify. (For a full list of OIG reviews and a summary of findings, see Appendix II.)

Objective

Our objectives were to determine whether (1) Certify improved SBA's certification processes and (2) SBA followed applicable federal project management guidance in the development of Certify.

Finding 1: Certify Is Missing Critical Capabilities that Affect Productivity

Certify was envisioned to be the single gateway to all contracting programs and a vehicle to improve small business participation in federal contracts. However, we found that Certify has not significantly improved SBA's certification processes.

Certify also did not improve small business participation in federal contracts by modernizing SBA's obsolete small business search tools. The project lacked comprehensive planning and performance and financial oversight, including implementation of required internal controls. Because Certify did not meet its original goal of modernizing SBA's small business certification and search tools, the $30 million investment has not yielded its intended results or primary objectives.

SBA plans to migrate to another platform to address Certify's limitations. However, until SBA addresses its oversight weaknesses over IT projects, there is a continued risk of repeating past project shortcomings.

The objectives of Certify were to improve SBA's small business certification products, create a data analytics tool to enhance reporting capabilities agency-wide, and modernize SBA's small business search tools. In doing so, Certify was to streamline the certification process and improve productivity. Certify was to accomplish this by providing management views of in-progress applications, automating repetitive tasks, simplifying document review, and providing tools for identifying fraud, waste, and abuse.

Being able to streamline the application process is particularly important considering the demands on SBA program staff. For example, the 8(a) Program had approximately 16 full-time staff to process roughly 2,000 8(a) participant applications per year. The HUBZone Program had approximately 17 full-time staff to process roughly 1,500 participant applications per year. To manage the portfolio of roughly 10,000 8(a) and HUBZone firms, SBA relied on nearly 140 program analysts spread across SBA's 68 district offices. The WOSB Program had approximately seven full-time staff to manage a portfolio of roughly 11,000 self-certified WOSB firms. The staff will begin to administer a new certification process for the WOSB Program in 2021. Additionally, SBA has plans to administer the Service-Disabled Veteran-Owned Small Business Program, previously overseen by the Department of Veterans Affairs.[4]

We found that although Certify offers some functionality, according to Certify's project managers, it does not offer many of the key essential search, analytical, and reporting tools it was developed to provide. To compensate for Certify's shortcomings, program analysts must use labor intensive methods external to the Certify application, which decreases analyst productivity.

Certify has delayed rather than improved the time it takes for program analysts to screen and approve applications, monitor participant progress, and terminate agreements for noncompliant 8(a) firms. The need for extra manual work outside the system has undercut Certify's usefulness for both SBA contracting program administrators and program applicants and participants.

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[4] Reported in the Associate Administrator's written statement with program numbers before Congress during House Small Business Subcommittee Hearing, "Oversight of the SBA's Women-Owned Small Business Federal Contract Program" (May 16, 2019).

We reviewed the Certify platform and interviewed users of its 8(a) application—Certify's most robust application. We also noted similar developmental shortcomings in other Certify applications, though our review focused on the 8(a) application.

8(a) Program Application

Certify Does Not Expedite Application Approval

Certify has simplified the process of submitting online participant applications for SBA's contracting programs. Program officials stated there has been a 65 percent increase in new participant applications since Certify's 8(a) application went into production. However, a considerable portion of those applications had significant deficiencies, which contributed to delays in application approval time. The overall number of accepted 8(a) firms in FY 2019 was lower compared to the year before Certify's implementation.[5]

According to SBA guidance, program analysts must screen and obtain supervisory review for all submitted participant applications, including those determined to be significantly incomplete.[6] In interviews, program officials said Certify's limited prescreening capabilities were one cause of the increased backlog in initial applications. For example, Certify cannot prevent initial applications submitted from abroad or with improper attachments.

Users also identified productivity issues related to tracking 8(a) participant applications and assigning 8(a) firms to district offices. As a result of these productivity issues and unforeseen factors, such as the 35-day government shutdown, we found that the average number of days to approve 8(a) participant applications increased from 91 days in FY 2017 to 138 days in FY 2019, an increase of more than 50 percent).[7]

Missing Analytical Tools

The Small Business Act requires reviews to determine whether program participants are eligible for SBA's contracting programs.[8] Certify's original solicitation required business intelligence to support eligibility filtering and decision making.[9] In addition, Certify's original Project Charter stated that one of Certify's goals was to add key analytical tools to improve review capabilities and

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[5] According to numbers provided by the Office of Government Contracting and Business Development (GCBD), the 8(a) Program accepted 555 new firms in FY 2017 and 437 new firms in FY 2019. The number of new firms accepted into the 8(a) Program has historically varied, and unforeseen factors such as the 35-day government shutdown would have had some impact as well.

[6] SBA SOP 80 05 06, *Standard Operating Procedure for the Office of Business Development*, GCBD (May 2019). SBA has 15 calendar days to prescreen an application for ostensible completeness. If an analyst determines an application to not be ostensibly complete, it must be reviewed by a supervisor and returned with a letter outlining all deficiencies.

[7] Because Certify was introduced mid-year and the 8(a) Program did not accept participant applications for a period during FY 2018, we compared results provided by GCBD for a full fiscal year immediately before and after the introduction of Certify to the program.

[8] Public Law 85-536, *Small Business Act* (July 18, 1958), as amended. The Small Business Act requires that 8(a) participants develop business plans with specific business targets, objectives, and goals designed to eliminate economic disadvantage as compared to others in the same business area. SBA is required to annually review and approve the business plans for participants to remain eligible for any 8(a) award.

[9] Solicitation for SBAHQ-15-Q-0012 (April 29, 2015). Certify's main objectives further included a business intelligence application that gave interactive access to reports needed by managers, business analysts, and leadership for all Small Business data collected by the Agency.

better focus review efforts.[10] However, Certify is missing several analytical tools intended to help meet these requirements. Because Certify does not simplify and automate certain processes in its 8(a) application, analysts must instead perform time-consuming and burdensome processes themselves to make an eligibility determination. These steps include reviewing eligibility data in scanned attachments, putting the right data into spreadsheets, performing necessary calculations, and consolidating important figures before making an eligibility determination. Additionally, Certify cannot calculate ratios for 8(a) business activity targets and comparative benchmarks—a functionality previously available in the legacy system, BDMIS.

Missing Reporting Capabilities

According to Certify's original solicitation, Certify was intended to enhance program reporting capabilities agencywide, including the ability to monitor review progress.[11] However, Certify currently lacks reporting capabilities needed for program analysts to track the detailed status of participant reviews and adverse actions.

For example, to determine the total number of active 8(a) Program participants, technical specialists must execute a database inquiry. Additionally, program analysts must perform labor-intensive activities outside of Certify such as regularly communicating review statuses with district offices and maintaining participation status worksheets. Tracking review status is necessary at both the district and headquarters level for timely customer service and program oversight. Because Certify does not offer reporting capabilities, program analysts and managers are left with cumbersome processes that lack transparency and reduce productivity.

Certify Does Not Support Analysis of 8(a) Business Development Plans

As part of the 8(a) Program, program analysts prepare small businesses to successfully compete for contract opportunities. In response to an agency top management challenge, SBA officials stated that Certify would help program analysts monitor the technical assistance provided to program participants and track their progress towards realizing business development goals.[12] However, in September 2019, SBA officials acknowledged that Certify does not perform this function and stated that they would develop and manage a separate business development monitoring system outside of Certify. Without Certify, or a comparable IT system, program analysts are left to track participant progress manually, which adds to analyst productivity concerns.

Unreliable Notifications to 8(a) Participants

SBA guidance requires that program analysts notify 8(a) firms of upcoming annual reviews and may initiate termination proceedings against 8(a) firms that do not provide the required eligibility documentation.[13] Certify was intended to automatically notify 8(a) firms of upcoming annual reviews so that firms could provide required documentation in time. However, Certify users said

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[10] Project Charter for SBA One – Contracting, Version 1. 0 (September 2015). The charter listed the purpose, scope, objectives, deliverables, and project authority for the Certify investment, then referred to as SBA One – Contracting.

[11] Solicitation for SBAHQ-15-Q-0012 (April 29, 2015). At a minimum, Certify was to track and report applications as they move through the various stages of the certification workflow to identify bottlenecks within the certification process.

[12] SBA OIG Report Number 18-01, *Report on the Most Serious Management and Performance Challenges in Fiscal Year 2018*, Challenge 5, SBA Needs to Ensure that the Section 8(a) Business Development Program Identifies and Addresses the Needs of Program Participants, Only Eligible Firms Are Admitted Into the Program, and Standards for Determining Economic Disadvantage Are Justifiable (October 12, 2017).

[13] SBA SOP 80 05 06, Standard Operating Procedure for the Office of Business Development, GCBD (May 2019).

they did not receive copies of system generated communication sent directly from Certify's 8(a) application to 8(a) firms. According to user interviews, this uncertainty has impeded GCBD's ability to timely perform termination proceedings against 8(a) firms that do not submit annual eligibility documentation. As a result, ineligible firms may be allowed to continue in the 8(a) Program until their termination proceedings can move forward.

Other Program Applications

We also noted missing functionality with Certify applications for other programs.

All Small Mentor-Protégé Program Missing Basic Functionality

Certify's All Small Mentor-Protégé application was developed to allow document uploads and support processing of applicant questionnaires. However, the August 2019 BTIC presentation reported that only 20 percent of the All Small Mentor-Protégé Program's certification process had been implemented in Certify and that the application was missing basic functionality, including notifications, application routing, communication with applicants, and reporting.

As a result, a recent OIG evaluation found that All Small Mentor-Protégé Program officials did not have a reliable or functional IT system.[14] An effective IT system is a necessary program control that should assist SBA program analysts with adhering to established review criteria. Without effective controls, SBA cannot ensure that only eligible participants are in the program or that the program is meeting its intended development purpose.

HUBZone Certification Process Was Not Developed

Additionally, despite originally being planned for release in 2017, to date, SBA has not implemented a HUBZone application in Certify. As a result, the HUBZone Program still relies on a legacy certification system, the HUBZone Certification Tracking System, which SBA reported no longer met the business requirements of the HUBZone Program as far back as 2010. As a result, HUBZone Program participants and managers will not benefit from the proposed, modernized features Certify was intended to present, and instead must adopt time-consuming workarounds outside of Certify to accomplish required tasks.

Delayed Implementation of Search Tools

SBA's search tools are crucial to ensure that federal contracting officers are able to find eligible small businesses and assist small businesses in finding subcontracting opportunities. Small businesses rely on the search tools to publicize their capabilities and find subcontracting opportunities, while federal contracting officers use SBA's search products to find and promote qualified small businesses.

Part of Certify's objective was to replace SBA's preexisting search tools, including Dynamic Small Business Search and the SUB-Net Database. In 2015, SBA reported that these search tools no longer met the expectations or needs of the agency, referred to them as outdated, and stated that the

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[14] SBA OIG Report Number 19-17, *Evaluation of SBA's All Small Mentor-Protégé Program* (September 17, 2019). The report found that the All-Small Mentor Protégé Program officials did not fully adhere to established review processes or properly document assessments because SBA did not prioritize staff resources and the IT system was not sufficiently developed.

hardware that underpins the search tools was obsolete.[15] They had a poor user interface, were difficult to use, and had limited functionality. Procurement technical assistance centers have also identified ongoing problems with these search tools, such as incorrectly displaying certification status.

Although Certify was intended to remove barriers to federal contracting opportunities for small businesses by developing a new small business search tool that better met the needs of users, no replacements for SBA's search tools were released. The August 2019 BTIC presentation reported that replacing Dynamic Small Business Search could take as long as third quarter FY 2021 and that Certify would no longer replace the SUB-Net Database.

The Certify investment did not meet the development goal of enhancing search tools for small businesses and contracting officers across the federal government.

Project Oversight Control Weaknesses

SBA did not detect or prevent shortcomings in the Certify platform because it did not deploy effective oversight controls when developing and monitoring Certify. Federal IT controls provide reasonable assurance, but not absolute assurance, that project objectives will be achieved. These controls include establishment of an integrated project baseline based on project schedule, functional requirement, and cost.[16] This baseline provides the basis for performing reviews throughout the life of the project.

Poor Planning and Oversight Processes

We noticed internal control weaknesses in Certify's planning and oversight processes. During its initial planning stages, the project did not incorporate an integrated baseline and related risk assessment tools. Consequently, managers did not appropriately anticipate Certify's requirements to ensure the platform would meet the various needs of SBA's different contracting programs. Moreover, Certify's managers also did not properly monitor performance of the $30 million investment using earned value management and cost reporting procedures.

These control components form an oversight and internal control framework. Because each component relies on others, any one deficiency could compromise the integrity of the overall internal control framework. Consequently, in each area, we saw that the lack of planning was followed by a subsequent lack of oversight reviews and reporting. This, in turn, left Certify's managers ill-equipped to accomplish Certify's objectives and goals.

Methodology Did Not Consider Federal Controls

Certify's project managers deployed an agile methodology but did not ensure their methodology considered many of the previously outlined federal IT controls. Agile software development's goal is to satisfy the customer through early and continuous delivery of valuable software characterized by incremental and iterative processes.

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[15] Solicitation for SBAHQ-15-Q-0012 (April 29, 2015) and the Project Charter for SBA One – Contracting, Version 1. 0 (September 2015) both described the software applications that support SBA's contracting programs, small business search, and data analytics as outdated and the hardware supporting them as obsolete.

[16] OMB Memorandum M-10-27, *Information Technology Investment Baseline Management Policy* (June 28, 2010). M-10-27 defines a baseline as the approved work-breakdown structure, costs, schedule, and performance goals for a given investment.

However, using an agile methodology does not exempt SBA from following quality assurance and risk management controls. These management controls include development of front-end project baselines established through design and requirements planning, continuous monitoring against predetermined cost-schedule milestones, and testing against comprehensive user-acceptance criteria.

Lack of Requirements Traceability Matrix

SBA guidance requires the development of an integrated baseline with traceable requirements,[17] which helps managers to define, prioritize, and track evolving requirements to ensure there are no inconsistencies among project plans and requirements.[18] A requirements traceability matrix verifies that requirements are being met and traces the origins of each requirement, documents implementation, and allows testing. Full deployment of a traceability matrix would have reduced the risk that Certify did not meet user needs.

Development of Certify's platform began without considering critical business requirements for several of its programs. Because Certify's managers did not fully develop a requirements traceability matrix, they also could not track high-level development requirements throughout the project's design, build, and evaluation stages. By skipping this vital step, Certify's managers failed to account for the varying needs of individual programs and the differing requirements of each application.

For example, Certify's "proof of concept" assumed that the WOSB Program application could serve as a foundation for all of SBA's contracting program applications.[19] However, this approach did not fully consider the inherent complexities of the 8(a) and HUBZone Programs, which would require multiple workflow components in their applications such as initial application review, annual review, and assessing business development needs.

 Because Certify's managers did not appropriately plan, they discovered late in development that the WOSB application and technical architecture already put into production would not be suitable for the needs of the 8(a) and HUBZone Programs.[20] Consequently, they were unable to meet 8(a) and HUBZone Program needs without developing a new platform module specific to 8(a) needs and simplifying the 8(a) Program module requirements to meet the release schedule. As a result, some crucial features were missing from the 8(a) application, and a HUBZone application was never put into production.

Lack of Work Breakdown Structure

A work-breakdown structure serves as a valuable roadmap to guide the project forward and to keep the project's performance on track. It is also used in the development of an integrated project baseline from which future progress is assessed. As required by SBA guidance, the work-

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[17] SBA SOP 90 52, *IT Investment Performance Baseline Management Policy*, OCIO (May 9, 2011). The SOP requires establishing a work-breakdown structure which aligns all project tasks into the entire scope of work.

[18] SBA's system development methodology at the time of Certify's initiation required creation and maintenance of a requirements traceability matrix through all phases of system development.

[19] Solicitation for SBAHQ-15-Q-0012 (April 29, 2015). The Women-Owned Small Business Program requirements called for an online document repository to upload and store all self-certification documentation.

[20] "What We Mean by 8A 'fork' Strategy" Certify Development Documents, last updated January 17, 2017. This document discussed incompatibilities of the Women-Owned Small Business Program solution to meeting the requirements of the 8(a) Program.

breakdown structure should include budgets, schedules, and risk assessments for each corresponding work-breakdown structure element.[21]

Certify's project managers, however, did not develop a work-breakdown structure during development and planning—including specific budgets and risk assessments. The work-breakdown structure serves as a fundamental building block for other internal controls, such as earned value management. Because SBA did not suitably establish a work-breakdown structure, they also could not accurately measure project performance or track project status.

Lack of Earned-Value Management System

Additionally, we found that SBA did not employ earned-value management as required by Federal Acquisition Regulations.[22] As a performance management system, earned-value management uses a work-breakdown structure to measure project performance and track current project status against predetermined schedules, milestones, and cost. Earned-value management can also help assess risk through monitoring investment cost, schedule, and performance goals.

Federal guidance also requires that agencies use a performance management system that addresses monthly performance, accurate variance analysis and reporting, and measuring activity against both current and original baselines.[23] SBA specifically requires the use of earned-value management for all major IT investments.[24]

Inadequate Financial Transparency

SBA did not capitalize costs related to the Certify IT investment in accordance with federal guidance. OMB Circular A-136 requires the capitalization of internal use software in accordance with federal accounting standards.[25] According to federal accounting standards, internal use software is defined as software with an estimated useful life of two or more years developed to meet the entity's operational needs.[26] Certify had an expected lifecycle of at least 11 years and was intended to improve SBA's internal programs.

Between August 2015 and September 2019, SBA reported to the Office of Management and Budget (OMB) that Certify's costs exceeded $30 million. However, none of these costs were ever reported

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[21] SBA SOP 90 52, *IT Investment Performance Baseline Management Policy*, OCIO (May 9, 2011). The SOP requires integrated baseline reviews conducted in accordance with the 32 criteria specified in the American National Standards Institute/Electronic Industries Alliance Standard 748. Each work-breakdown structure element must be evaluated for cost, schedule, and technical risk and be factored into a risk-adjusted budget and project milestone schedule.

[22] Federal Acquisition Regulation (FAR) Part 34, *Major System Acquisition*, Subpart 34. 2, "Earned Value Management System." FAR 34.2 requires agencies to submit monthly earned value reports and a documented integrated baseline review (and related contract language) for all major IT investments.

[23] OMB Memorandum 10-27 Information Technology Investment Baseline Management Policy (June 28, 2010).

[24] SBA SOP 90 52, *IT Investment Performance Baseline (PBM) Policy*, OCIO (May 9, 2011). SOP 90 52 requires all major IT investments to adhere to FAR 34.2, *Earned Value Management,* and identifies several authoritative tools used to validate baselines, including *National Defense Industrial Association's Earned Value Management Systems EIA-748 Intent Guide.*

[25] OMB Circular A-136 Revised, *Financial Reporting Requirements* (June 28, 2019), and previous editions. A-136 requires agencies to follow Federal Accounting Standard Advisory Board (FASAB) guidance for reporting internal use software.

[26] FASAB Statement of Federal Financial Accounting Standard 10, *Accounting for Internal Use Software* (June 1998),as modified by FASAB Technical Release 16, *Implementation Guidance for Internal Use Software* (January 19, 2016). FASAB Technical Release 16 requires that internal use software using the agile software-development method be capitalized when releases result in significant additional capabilities.

as capitalized on SBA's Annual Financial Report. An official from the Office of the Chief Financial Officer stated that Certify's costs were not capitalized because of uncertainty about the direction of the program and whether the program was going to continue. Accurate reporting on capital assets is necessary to provide transparency for Congress and the public to understand how public dollars are being used.

Planned Actions by SBA for Certify

In August 2019, the BTIC approved plans for all new development to be migrated to Microsoft Dynamics 365-based platform as part of SBA's new enterprise customer-relationship-management system initiative. In September 2019, SBA awarded a $3. 5 million contract to develop new certification management applications on the Dynamics 365 platform and a replacement for the Dynamic Small Business Search.

The BTIC presentation reported that the existing Certify applications would be decommissioned by September 30, 2020, and initial artifacts for the HUBZone and WOSB Programs would be completed by January 2020. In February 2020, Certify project managers could not provide updates against these project milestones to determine potential cost overruns or schedule delays as required by SBA guidance.[27]

Certify's current and past development challenges warrant consideration as a high-risk area that affects mission delivery for SBA's contracting programs. OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires management to use forward-looking practices that identify, assess, respond, and report on risks.

The guidance also requires agencies develop enterprise risk management models that would prioritize and resolve high risks areas impacting strategic objectives. In response to A-123 requirements, SBA developed an Enterprise Risk Management Framework Guide to create an effective agency-wide approach to enterprise risk management supported by an agency risk profile. Considering past challenges in implementing IT solutions, SBA should include Certify and its new enhancements in this Framework Guide as a high-risk enterprise.

Conclusion

Delivering the proposed Certify enhancements is of strategic importance to the agency. SBA must ensure IT project managers have exercised due diligence in planning and related risk management to establish necessary oversight controls. Until SBA addresses its oversight weaknesses and strengthens its internal controls through developing and implementing the required oversight components above, there is a continued risk of repeating past project shortcomings.

Recommendations

To strengthen SBA's IT control infrastructure, we recommend the Administrator:

1. Include the Certify investment in the agency's Enterprise Risk List as a high-risk endeavor and require continuous risk monitoring, as specified in the *SBA Enterprise Risk Management Framework Guide*.

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[27] SBA SOP 90 52, *IT Investment Performance Baseline Management Policy*, OCIO (May 9, 2011) requires updates against approved baselines every 30 days.

We also recommend the Administrator require the Associate Administrator for the Office of Government Contracting and Business Development and the Chief Information Officer to:

2. Establish traceable functional requirements for the Certify investment in accordance with the Capital Programming Guide, supplement to OMB Circular A-11, specifically, in terms of the Office of Government Contracting and Business Development's mission, purpose, capability, schedule and cost objectives.

3. Develop a documented requirements traceability matrix and ensure that the Office of Government Contracting and Business Development has adequate resources to trace requirements throughout all stages of design, development, and user-acceptance.

4. Develop and maintain a performance-measurement baseline with budgets and schedules assigned to product-oriented work-breakdown structure elements and established cost and schedule variance thresholds in accordance with the Capital Programming Guide, supplement to OMB Circular A-11.

5. Evaluate work-breakdown structure elements for cost, schedule, and technical risk. Use the results of such risk analysis to maintain a risk-adjusted budget and schedule in accordance with the *Capital Programming Guide*, supplement to OMB Circular A-11.

6. Incorporate earned-value management and integrated baseline reviews into the Certify investment as required by FAR 34. 2 and conduct documented integrated baseline reviews in accordance with the 32 criteria identified in *National Defense Industrial Association's Earned Value Management Systems EIA-748 Intent Guide*, as required by SOP 90 52.

We recommend that the Administrator require the Chief Information Officer to:

7. Ensure that all Certify investment cost, schedule, and performance baseline data submitted for BTIC review clearly show the amount of work accomplished and actual costs against the original investment baseline to provide critical management visibility on the achievement of, or deviation from, goals.

8. Update system development methodology to link agile summary components with establishing traceable requirements, monitoring progress through a requirements traceability matrix and reporting progress using a performance management system, including an earned value management system for the development of major IT investments.

We recommend that the Administrator require the Chief Financial Officer and the Chief Information Officer to:

9. Determine whether any customization and enhancement costs for internal use software related to Certify investment should be capitalized in accordance with the financial reporting requirements in OMB Circular A-136.

Analysis of Agency Response

Management provided formal comments, included in Appendix V. Management fully agreed with seven recommendations and partially agreed with two recommendations. However, we found that SBA's planned corrective actions resolved only three of the nine recommendations.

Summary of Actions Necessary to Close the Recommendations

The following list explains the status of each of our recommendations in order as presented in the report and the actions we deem necessary to close them:

1. **Recommendation 1:** Include the Certify investment in the agency's Enterprise Risk List as a high-risk endeavor and require continuous risk monitoring, as specified in the *SBA Enterprise Risk Management Framework Guide*.

   Status: Unresolved
   SBA management partially concurred with this recommendation. However, management stated the entire Certify investment cannot automatically be included in the agency's Enterprise Risk List. Management proposed to discuss the Certify investment during the Enterprise Risk Management Board meeting and determine whether to include any part of the Certify investment on the Enterprise Risk List. Management plans to complete final action on this recommendation by May 31, 2021.

   Our review found the Certify investment did not achieve its intended goals, which have been identified as integral to the agency's mission. Management stated the current platform cannot be maintained and has security vulnerabilities. Management's proposed actions do not fully consider the guidance in OMB A-123. This guidance requires risk management processes be regularly reviewed to monitor effectiveness or determine if further action is necessary. [28] Management's oversight should include reporting on project milestones and incurred costs against project deliverables.

   This recommendation can be closed when management implements periodic IT investment controls and receives monthly reports, as required by SOP 90-82. In accordance with our audit follow-up policy, if management and OIG do not reach agreement on this recommendation within 60 days after the date of this final report, OIG will notify the audit follow-up official of the disputed issue.

2. **Recommendation 2:** Establish traceable functional requirements for the Certify investment in accordance with the Capital Programming Guide, supplement to OMB Circular A-11, specifically, in terms of the Office of Government Contracting and Business Development's mission, purpose, capability, schedule and cost objectives.

   Status: Unresolved
   SBA management concurred with this recommendation and stated the OCIO will develop functional requirements based on an updated business reference model and program workflow diagram for the 8(a) Program, the All-Small Mentor Protégé Program, and the Dynamic Small Business Search. Management plans to complete final action on this

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[28] OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016). Management is responsible for evaluating whether a system of internal control reduces the risk of not achieving the entity's objectives related to operations, reporting, or compliance to an acceptable level.

recommendation by May 15, 2021. However, management's proposed actions do not include developing traceable functional requirements for the Women-Owned Small Business and HUBZone programs.

This recommendation can be closed when management provides evidence of approved traceable functional requirements for the 8(a), HUBZone, Women-Owned Small Business, and All-Small Mentor Protégé programs, as well as the Dynamic Small Business Search. In accordance with our audit follow-up policy, if management and OIG do not reach agreement on this recommendation within 60 days after the date of this final report, OIG will notify the audit follow-up official of the disputed issue.

3. **Recommendation 3**: Develop a documented requirements traceability matrix and ensure that the Office of Government Contracting and Business Development has adequate resources to trace requirements throughout all stages of design, development, and user-acceptance.

   Status: Unresolved
   SBA management concurred with this recommendation. OCIO will develop a documented requirements traceability matrix and identify each user-story requirement with applicable acceptance criteria for design, development, and user acceptance. Management plans to complete final action on this recommendation by October 20, 2020. However, we wish to clarify that management's proposed actions should include user-acceptance testing by the Product Owner at a detailed level in accordance with the SOP 90-52 Section 5.6, which states that at a minimum requirements must be broken down in detail in accordance with referenced OMB and industry best practices.[29]

   This recommendation can be closed when management provides an approved requirements traceability matrix and evidence that GCBD has adequate resources to trace requirements and perform user-acceptance testing. In accordance with our audit follow-up policy, if management and OIG do not reach agreement on this recommendation within 60 days after the date of this final report, OIG will notify the audit follow-up official of the disputed issue.

4. **Recommendation 4**: Develop and maintain a performance measurement baseline with budgets and schedules assigned to product-oriented work-breakdown structure elements and established cost and schedule variance thresholds in accordance with the *Capital Programming Guide*, supplement to OMB Circular A-11.

   Status: Unresolved
   SBA management concurred with this recommendation and stated that OCIO will align user stories to sprint objectives and establish performance measurements based on accepted user-story velocity. Management plans to complete final action on this recommendation by August 15, 2020. However, management's proposed actions for establishing performance measurements based only on user-story velocity do not allow management to effectively monitor cost, schedule, and performance against a work-breakdown structure as required by EVM provisions in SOP 90-52 Section 8. 1.

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[29] SOP 90-52 Section 5. 6 refers to industry best practices described in the Department of Defense's MIL-HDBK-881 and Project Management Institute's Project Management Body of Knowledge. Both require user acceptance testing against a work-breakdown structure with established acceptance criteria.

This recommendation can be closed when OCIO provides evidence that a product-oriented work-breakdown structure has been established with cost and schedule estimates and variance thresholds. In accordance with our audit follow-up policy, if management and OIG do not reach agreement on this recommendation within 60 days after the date of this final report, OIG will notify the audit follow-up official of the disputed issue.

5. **Recommendation 5:** Evaluate work-breakdown structure elements for cost, schedule, and technical risk. Use the results of the risk analysis to maintain a risk-adjusted budget and schedule in accordance with the *Capital Programming Guide*, supplement to OMB Circular A-11.

    Status: Resolved
    SBA management concurred with this recommendation and stated that OCIO will develop a risk register and add a risk rating element to user stories. Management plans to complete final action on this recommendation by July 15, 2020. This recommendation can be closed when management provides evidence of a risk register that considers cost, schedule and technical risk (such as system architecture) for each work-breakdown structure element individually.

6. **Recommendation 6**: Incorporate earned value management and integrated baseline reviews into the Certify investment as required by FAR 34. 2 and conduct documented integrated baseline reviews in accordance with the 32 criteria identified in *National Defense Industrial Association's Earned Value Management Systems EIA-748 Intent Guide*, as required by SOP 90 52.

    Status: Unresolved
    SBA management partially concurred with this recommendation because they stated that SOP 90-52 only requires adherence to 11 of the 32 criteria found in ANSI/EIA 748 for conducting integrated baseline reviews. However, SOP 90-52 states that OCIO is required to adhere to ANSI/EIA 748 criteria for conducting an integrated baseline review. There is no reference to requiring only 11 of the 32 ANSI/EIA 748 criteria in SOP 90-52.

    SOP 90-52 further states that OCIO will incorporate GAO's CORE 11-Step EVM processes implementing EVM. These GAO best practices for implementing EVM are a different requirement from the ANSI/EIA 748 criteria for conducting integrated baseline reviews. Management plans to complete final action on this recommendation by September 30, 2020. However, management's proposed actions of treating incurred project costs as "sunk costs" do not comply with requirements in SOP 90-52 Section 8. 1 to adhere to GAO Core 11-Step EVM processes, which includes allocating all costs to the work-breakdown structure.

    This recommendation can be closed when management provides evidence that it has fully incorporated the GAO Core 11-Step EVM process, conducted an integrated baseline review addressing all relevant ANSI/EIA 748 criteria, and documented annual operation analysis in accordance with SOP 90-52 Section 8. In accordance with our audit follow-up policy, if management and OIG do not reach agreement on this recommendation within 60 days after the date of this final report, OIG will notify the audit follow-up official of the disputed issue.

7. **Recommendation 7:** Ensure that all Certify investment cost, schedule, and performance baseline data submitted for BTIC review clearly show the amount of work accomplished and actual costs against the original investment baseline to provide critical management visibility on the achievement of, or deviation from, goals.

Status: Resolved
SBA management concurred with this recommendation and stated that BTIC reviews will document cost, schedule, and performance baseline data and clearly show the amount of work accomplished and costs against original investment baselines. Management plans to complete final action on this recommendation by September 30, 2020.
This recommendation can be closed when management provides evidence that BTIC briefing documents clearly show the amount of work accomplished and actual costs against the original investment baseline.

8. **Recommendation 8:** Update system development methodology to link agile summary components with establishing traceable requirements, monitoring progress through a requirements traceability matrix and reporting progress using a performance management system, including an earned value management system for the development of major IT investments.

Status: Resolved
SBA management concurred with this recommendation and stated that OCIO will update system development methodology to include establishing traceable requirements, monitoring and reporting progress, and conducting EVM. Management plans to complete final action on this recommendation by June 8, 2021. This recommendation can be closed when management provides evidence that it has incorporated establishing traceable requirements, monitoring and reporting progress, and conducting EVM in an approved system development methodology.

9. **Recommendation 9:** Determine whether any customization and enhancement costs for internal use software related to Certify investment should be capitalized in accordance with the financial reporting requirements in OMB Circular A-136.

Status: Unresolved
SBA management concurred with this recommendation and stated that OCIO and OCFO will determine what Certify investment costs can be capitalized. Management plans to complete final action on this recommendation by July 31, 2020. However, management's proposed actions do not address the $30 million in costs approved for Certify between FY 2015 and FY 2019, which was the subject of this review. This recommendation can be closed when management provides an interpretation for all incurred costs related to the Certify investment in accordance with FASAB Technical Release 16, or considers these costs for software development as an impaired cost. In accordance with our audit follow-up policy, if management and OIG do not reach agreement on this recommendation within 60 days after the date of this final report, OIG will notify the audit follow-up official of the disputed issue.

We addressed management's technical comments regarding clarifying Certify's inception date by referring to Certify's ratification by BTIC. We also clarified the number of 8(a) Program staff assigned specifically to process participant applications. We addressed technical comments about Certify's impact on the 8(a) Program below in the response to Agency Comments on the finding that Certify does not expedite application approval.

Response to Agency's Comments on the Evaluation Findings

The following provides our response to the agency's comments on report findings detailed in Appendix V.

- The agency commented that facilitating small business participation in federal contracts was outside the scope of a review of Certify. Certify's original objectives included the

replacing the agency's small business search tools, which, the agency reported in 2015, supported their primary mission of helping small business find and win government contracts. However, as reported above, the Certify investment never released a replacement for SBA's obsolete small business search tools. We clarified our conclusions in the report to better align with this finding.

- The agency commented on the focus of the review. We reviewed the Certify investment against the original scope of the investment, as reported in Appendix III, which was approved along with the original $45 million cost estimate by the BTIC in May 2015.

- The agency commented that the report makes an unfair comparison when describing Certify's impact on the 8(a) Program's participant application approval process. To determine whether Certify improved SBA's certification processes, we examined the average time to review and approve new 8(a) participant applications as an outcome measure. To do so, we reported on the first full fiscal year before and after the introduction of Certify to the program. We have clarified the report to include reference to unforeseen factors such as the 35-day government shutdown. We have also footnoted further comparison of the number of 8(a) firms accepted into the program during the first full FY before and after the introduction of Certify.

- The agency commented that decisions were made by SBA to not include analytical tools within Certify. However, as stated above, we reviewed the Certify investment against the original scope of the investment, as reported in Appendix III. We have footnoted additional references to Certify's original planning documentation in the report.

- The agency commented that the language in the report was unclear as to the potential effect of system issues related to notification of upcoming annual reviews. We have clarified this report to state that the effect may occur if termination proceedings are held up because of uncertainty surrounding firm notification. Several users stated that there was significant uncertainty on how to determine whether a firm was contacted by Certify's automated processes and attributed this uncertainty to the risk of delayed termination proceedings.

- The agency commented that the report overemphasizes the impact of an ineffective IT system on the All-Small Mentor Protégé Program. The report references the results of a previous OIG evaluation which made the finding and recommended that the agency make necessary improvements to Certify.[30] The agency concurred with this recommendation. However, implementation of related management decisions has been postponed into 2021.

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[30] SBA OIG Report 19-17, *Evaluation of SBA's All Small Mentor-Protégé Program* (September 17, 2019). Recommendation 4: Ensure that certify. SBA. gov has the functionality needed for program officials to conduct application reviews and annual evaluations.

Appendix I: Objective, Scope, and Methodology

Our objectives were to determine whether (1) Certify.SBA.Gov (Certify) improved SBA's certification process and (2) applicable guidance was followed. Our scope included SBA's management of the Certify.SBA.Gov (Certify) IT investment from FY 2015 through FY 2019.

To address the first objective, we:

- interviewed SBA personnel from the Office of Chief Information Officer (OCIO) and the Office of Government Contracting and Business Development (GCBD) involved in acquiring and managing Certify.
- surveyed Certify users from GCBD and the Office of Field Operations (OFO) about the current status and functional capabilities of Certify.
- accessed available Certify development documentation.

To address the second objective, we reviewed:

- Statutes governing IT acquisition and management, including Divisions D and E of Public Law No. 104–106 (the Federal Acquisition Reform Act and the Information Technology Management Reform Act of 1996, as amended, commonly known as the Clinger-Cohen Act), the Federal Acquisition Streamlining Act of 1994 (Public Law No. 103–355), and Subtitle D of Title VIII of Public Law No. 113-291 (the Federal Information Technology Acquisition Reform Act, commonly known as FITARA).
- Office of Management and Budget (OMB) guidance on the implementation of Administration and statutory asset management initiatives, such as OMB Circular A-11, the Capital Programming Guide supplement to OMB Circular A-11, OMB Circular A-123, OMB Circular A-130, OMB Memorandum M-10-27, OMB Memorandum M-15-14, OMB Memorandum M-16-17, OMB Memorandum M-18-19, and others.
- SBA's internal policies and procedurals governing IT acquisition and management.
- SBA's Business Technology Investment Committee (BTIC) presentations, capital planning and investment control asset approval and OMB budget submissions for the Certify IT investment.
- Best practice guidance summarized in US Government Accountability Office (GAO) reports and other government documents.
- Commonly accepted program management guidance from the Project Management Institute and other sources.
- Identified roles, responsibilities, and resources used to develop, implement, and oversee Certify from ratification in FY 2015 to current state at the end of FY 2019.

We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's quality standards for inspection and evaluation. Those standards require that we adequately plan and perform the evaluation to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe that the evidence we obtained provides a reasonable basis for our conclusions based on our objective.

Appendix II: Prior Audits and Evaluations

Prior OIG Reviews Related to IT Acquisition

Reports on SBA's Loan Management and Accounting System (2008-2015)

Between 2008 and 2015, OIG completed six reviews identifying weaknesses in planning and executing SBA's modernization of its Loan Management and Accounting System (LMAS).[31] Our reviews found major issues with SBA's IT approach and management, including weak project governance, undefined processes for user-acceptance testing, and problems establishing and reviewing project baselines. Due to cost overruns and schedule delays, the LMAS project was also the subject of a Government Accountability Office review and a Congressional hearing.[32,33] As a result of SBA's shortcomings, OIG reported modernizing SBA's LMAS and migrating it off the legacy platform as a top management challenge from FY 2010 through FY 2016.

Report 14-10 Acquisition of the OneTrack System (February 12, 2014)

In May 2013, OIG initiated a review to determine the effectiveness of the SBA IT governance process. During the review, OIG obtained information concerning acquisition issues relating to the OneTrack System and modified the scope of the review to focus on these acquisition issues. We found that SBA did not complete the necessary market research or use modular contracting principles when planning the acquisition. We also found that OCIO did not assume primary responsibility of the OneTrack acquisition and did not provide adequate oversight over its contractor. As a result, SBA spent $1. 9 million but did not receive the OneTrack System.

Report 16-05 SBA Needs to Strengthen Its IT Procurement Practices to Ensure Adequate Planning and Financial Oversight (December 17, 2015)

Part of the objectives for the evaluation were to determine whether SBA's procurement practices for contracts to acquire IT products and services followed Federal Acquisition Regulations and SBA's Acquisition Standard for ensuring fair and reasonable contract prices. In FYs 2013 and 2014, SBA spent $161.7 million on new contract actions, $109 million (67 percent) of which was for IT products or service contracts. The evaluation found that SBA did not adequately plan for contracts and inconsistently evaluated vendor quotes. SBA also did not adequately document Independent Government Cost Estimates or guidance on how to prepare and document price reasonableness.

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[31] Report 8-13, *Planning for the Loan Management and Accounting System Modernization and Development Effort* (May 14, 2008). Report 9-17, *Review of the Allegations Concerning How the Loan Management and Accounting System Modernization Project is Being Managed* (June 30, 2009). Report 10-14, *Adequacy of Quality Assurance Oversight of the Loan Management and Accounting System Project* (September 13, 2010). Report 13-11, *The SBA's Loan Management and Accounting System – Incremental Improvement Projects* (March 12, 2013). Report 14-21, *Review of the LMAS Incremental Improvement Projects* (September 30, 2014). Report 16-07*, Loan Management and Accounting System Incremental Improvement Projects Progress* (December 18, 2015).

[32] Report GAO-12-295, *SBA Needs to Strengthen Oversight of Its Loan Management and Accounting System Modernization* (January 2012).

[33] House Small Business Full Committee Hearing, "Placing Federal Tax Dollars at Risk: How the Small Business Administration Mismanages the Modernization of Its Information Technology" (February 1, 2012).

Report 16-16 Weakness Identified During SBA's Office 365 Cloud Email Migration (June 7, 2016)

The objective of the evaluation was to determine whether SBA's email cloud migration to Office 365 followed applicable federal guidance and standards, such as those outlined in the Federal Risk and Authorization Management Program. Our evaluation found that the development team did not establish testing plans to ensure the project met requirements. We also found that due to significant delays, OCIO needed to evaluate whether to continue, modify, or terminate the project and report the project's status accurately and promptly. As a result of the lack of planning and oversight, SBA experienced significant delays in the planned migration project.

Report 18-06 Implementation of Federal IT Acquisition Reform Act (November 28, 2017)

The objective of the evaluation was to assess SBA's progress in implementing critical components of Federal IT Acquisition Reform Act, as outlined in the OMB Memorandum M-15-14 and the related Common Baseline. The evaluation concluded SBA needed to establish performance baselines, update its system development guidance, and implement enterprise architecture and workforce development.

Report 19-10 SBA's Cloud Migration and Oversight (April 9, 2019)

The objective of the evaluation was to determine whether SBA's cloud migration efforts from FYs 2017 through 2018 followed applicable federal guidance and standards. The evaluation found that SBA needed to improve its cloud migration and oversight controls in risk management, security, data mobility, and IT investments to meet federal guidance and standards. In addition, SBA needed to adopt standards to ensure it could efficiently move data among cloud platforms.

Prior OIG Reviews of SBA's Contracting Programs

Report 18-18 Women-Owned Small Business Federal Contracting Program (June 20, 2018)

The objectives of the audit were to determine whether contracts awarded on a sole-source basis complied with requirements of the program and whether firms that received set-aside contracts on a sole-source basis conformed to the self-certification requirements. The audit found that contracting officers and firms did not comply with federal regulations for 50 of the 56 tested sole-source contracts, valued at $52.2 million. As a result, there was no assurance the contracts were awarded to firms eligible to receive sole-source awards.

Report 18-22 Oversight of 8(a) Continuing Eligibility Process (September 7, 2018)

The objective of the audit was to determine whether SBA's oversight ensured 8(a) Program participants met continuing eligibility requirements. The audit found SBA did not consistently identify ineligible firms in the 8(a) Program and did not always act to remove firms it determined were no longer eligible for the program. In addition, SBA did not perform required continuing eligibility reviews when it received specific and credible complaints regarding firms' eligibility and did not log all complaints.

Report 19-08 HUBZone Certification Process (March 28, 2019)

The objectives of the audit were to determine whether SBA's oversight ensured that only eligible firms were certified into the HUBZone Program and SBA performed timely certification reviews. The audit found that SBA program officials' oversight did not ensure that only eligible firms entered the HUBZone Program. Additionally, the failure of the program office to conduct timely certification reviews, delayed firms' ability to compete for HUBZone contracts and impeded the program's purpose of contributing to economic development of HUBZones.

Report 19-17 Evaluation of SBA's All Small Mentor-Protégé Program (September 17, 2019)

The objective of the evaluation was to determine whether SBA measured program success and had effective controls to ensure it conducted initial application reviews and annual evaluations in accordance with the All Small Mentor-Protégé Program regulations. The evaluation found that SBA did not adhere to established review processes and did not properly document assessments. We also found that although SBA identified program performance indicators, it did not effectively monitor and evaluate program performance.

Appendix III: Certify's Original Project Goals and August 2019 Status

Certify's original project goals and $45 million lifecycle cost estimate were reported and approved by the BTIC in May 2015. In an August 2019 BTIC presentation, Certify's program management reported on Certify's delivered capabilities as of January 2019 when they paused development. The latest BTIC presentation detailed a technology roadmap planning future development for most, but not all, originally approved project goals.
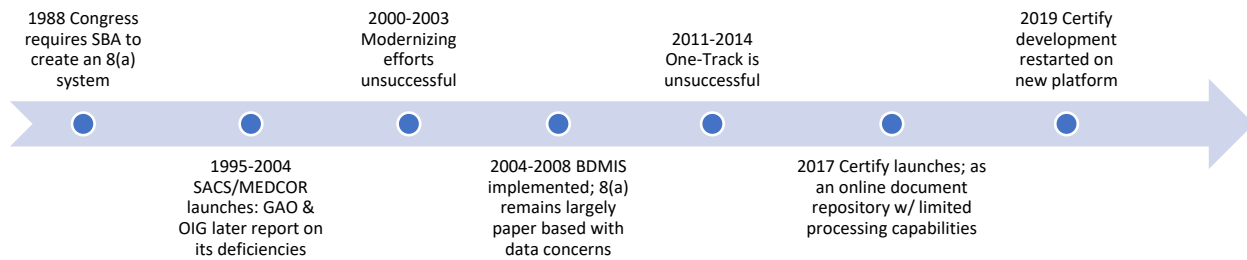
	Original Project Goals (May 2015 BTIC)	August 2019 Status (August 2019 BTIC)
1	Infrastructure Setup, Database and Architecture Design, Deployment, and Woman-Owned Small Business Program Repository	Women-Owned Small Business Program document repository complete. However, infrastructure was assessed to be not sustainable and will be decommissioned early. Planned for future development.
2	HUBZone Program Certification Systems and Ancillary Processes Redevelopment	Not delivered. Planned for future development. However, HUBZone Map is complete.
3	8(a) Business Development Program Certification Systems Redevelopment and Ancillary Processes Redevelopment	Assessed as 65 percent complete. Requires rebuild. Planned for future development.
4	Procurement Marketing and Access Network (Pro-Net) Project	Not delivered. Removed from current scope.
5	Mentor-Protégé and Joint Venture Approvals Project System Development	Assessed as 20 percent complete. Planned for future development.
6	Small Business Search Project (Modern Dynamic Small Business Search)	Not delivered. Planned for future development.
7	SBSS-CCR Deprecation Project (certifications database)	Not delivered. Planned for future development.
8	Data Analytics Project (including data analytics capabilities across contracting and non-contracting programs)	Not delivered. Planned for future development.

Contracting Program Relative Volumes in 2015

- 8(a) Initial Applications – approximately 2,000–5,000 received per year
- 8(a) Continuing Eligibility Reviews – approximately 5,000–6,000 per year
- Woman-Owned Small Businesses – more than 20,000 firms
- Size Protests – several hundred per year
- HUBZone Initial Applications– approximately 1,000–5,000 received per year
- HUBZone Continuing Eligibility Reviews – approximately 2,000–5,000 per year
- Dynamic Small Business Search – approximately 1–1.5 million records

This volume information was provided during the original solicitation for Certify. The solicitation included a caveat that information changed regularly and could only be used for rough orders of magnitude.

Appendix IV: SBA's Search for an Effective 8(a) IT Solution

1988 Congress requires SBA to create an 8(a) system	2000-2003 Modernizing efforts unsuccessful	2011-2014 One-Track is unsuccessful	2019 Certify development restarted on new platform

1995-2004 SACS/MEDCOR launches: GAO & OIG later report on its deficiencies	2004-2008 BDMIS implemented; 8(a) remains largely paper based with data concerns	2017 Certify launches; as an online document repository w/ limited processing capabilities

1981 – SBA's Financial Information System (FIS) supports the 8(a) Program's most basic needs.

1988 – Congress requires SBA to "develop and implement a process for the systematic collection of data on the [8(a) Program]."

1992 – GAO Report 92-68 finds that SBA determined FIS to be inadequate for 8(a) Program management and identified areas to automate field office's activities but did not develop specific plans for redesigning the FIS.

1993 – GAO Report 93-145 finds that ineffective planning resulted in development problems for SBA's FIS replacement. SBA plans to develop a Certification Tracking System (CTS), Servicing and Contracts System (SACS), and Central Office Data Repository and Reporting System.

1995 – SBA launches SACS and Minority Enterprise Development Central Office Repository (MEDCOR).

1996 – SBA pilot effort to automate the 8(a)-application process is halted.

1999 – SBA receives a study for a revised IT system to support core 8(a) business functions.

2000 – GAO Report 00-197 finds SACS/MEDCOR does not meet the needs of the 8(a) Program. SBA plans to modernize its IT systems in 2002.

2004 – SBA OIG Report 4-15 finds that SBA had cancelled its system modernization effort and that SACS/MEDCOR was ineffective and inefficient. SBA plans to reevaluate recommendations from an earlier study.

2004 – SBA starts developing a Business Development Management Information System (BDMIS) to be a completely integrated web-based system for the entire 8(a) Program

lifecycle. SBA launches an 8(a) e-Application system for BDMIS with limited functionality.

2006 – SBA plans to launch an 8(a) e-Annual Review system but canceled development because of significant issues with e-Application.

2007 – SBA launches E8(a) database as an interim CTS replacement updated weekly from BDMIS. SBA receives new detailed functional requirements for BDMIS. SBA OIG Report 7-31 finds data concerns with BDMIS's e-Application.

2008 – GAO Report 09-16 finds BDMIS was operational in all district offices. However, 8(a) Program remains largely paper based.

2011 – SBA begins to develop OneTrack, based on a Microsoft Dynamics platform, to improve, streamline, and automate the processes for the 8(a) Program and HUBZone Programs and replace BDMIS/E(8)a and the HUBZone Certification Tracking System.

2014 – SBA OIG Report 14-10 finds that SBA did not follow federal regulations and guidance in the acquisition of OneTrack.

2015 – SBA cancels OneTrack and begins to develop Certify on an open-source platform, to modernize and streamline SBA's small business certifications and search products and create a data analytics tool. SBA initially plans to launch Certify's 8(a) application in 2016.

2017 – SBA OIG Report 18-06 finds IT control issues with SBA's handling of several projects, including Certify. SBA launches Certify's 8(a) Initial Applicant Review module in November.

2018 – In March, SBA launches Certify's 8(a) Annual Review module. SBA later decommissions BDMIS.

SBA RESPONSE TO EVALUATION REPORT

Memo for:	Hannibal Ware
	Inspector General
	U.S. Small Business Administration
From:	Guy Cavallo
	Deputy Chief Information Officer
	U.S. Small Business Administration
Subject:	Management Response:
	Draft FY 2020 Evaluation of Certify.SBA.Gov
	Project 19011
Date:	June 9, 2020

We appreciate the opportunity to review the draft report entitled "Evaluation of Certify.SBA.Gov." The objectives of this evaluation were to determine whether (1) Certify improved SBA's certification processes and (2) SBA followed applicable federal project management guidance when developing, implementing, and overseeing Certify.

Comments on Report Findings

The evaluation includes a statement throughout the report, as part of its first objective, that "Certify did not facilitate small business participation in federal contracts." SBA contends this is outside the scope of the evaluation and that the report does not provide any further information or analysis on how OIG came to this conclusion. Additionally, the report does not refer to any methodology regarding review of small business federal contracts nor does it provide any basis for specifically linking issues with Certify to overall small business participation in federal contracts. Certify, as a certification management system, is a platform to aid in the certification of small businesses into a variety of SBA programs, including 8(a), Women-Owned Small Business, HUBZone and All Small Mentor-Protégé Program (ASMPP). SBA provides training and outreach to small businesses, so they are better positioned to grow and obtain federal contracts.

The report states that "Certify has simplified the process of submitting online participant applications for SBA's certification programs. Accordingly, program officials stated that there has been a 65 percent increase in new participant applications since Certify's 8(a) application went into production." SBA is pleased that the report recognizes the fact that Certify has aided in small business participation due to the simplified process of submitting applications.

The report does not clearly delineate that the focus of the OIG review was on the Certify 8(a) application. The report implies that all program application areas listed have experienced delays in screening and approving applications, and monitoring progress, which is not accurate.

The report is unclear regarding its dates of review and in its assertions that prescreen backlog directly led to an average increase in overall application approvals. The report is also unclear regarding the dates and definition of "inception" and throughout the report references contract solicitation date and 8(a) production date but does not include the actual contract award information. GCBD must clarify that the Certify 8(a) application went into production on November 15 2017, which is FY 2018. OIG states that "as a result of the increased backlog [from FY 2018 through FY 2019] …the average time to approve 8(a) participant applications increased over 50 percent from FY 2017 to FY 2019." The report states that "as a result of the increased backlog [from FY 2018 through FY 2019] …the average time to approve 8(a) participant applications increased over 50 percent from FY 2017 to FY 2019." The report does not indicate how many applications were reviewed to determine an overall average approval timeline and the OIG did not seek to obtain any explanation from SBA staff regarding any outliers identified. The report makes direct comparison using non-like attributes and uses inconsistent dates. The report also lacks reference to other contributing delays, most notably the government shutdown of approximately 40 days in FY 2019. With its use of "average time to approve" and omission of any outlier explanation including other contributing factors, these statements are misleading.

The report includes a statement that "Certify is missing several analytical tools intended to help meet [eligibility] requirements. Because Certify does not simplify and automate certain processes in its 8(a) application, to make an eligibility determination, analysts instead must undergo time-consuming and burdensome processes themselves." To clarify, this assertion is specific to SBA personnel making a determination about an applicant's economic status. SBA made a choice to not include any calculations within Certify for economic eligibility due to the need for SBA personnel to make required adjustments. The system was not designed to "know" what adjustments to make.

The report also states, "…Certify cannot calculate ratios for 8(a) business activity targets and comparative benchmarks—a functionality previously available in in (sic) BDMIS." This statement is inaccurate and misleading because it disregards that it was SBA's choice to not include any calculations within Certify for business activity targets. In addition, contrary to the OIG's position, SBA SOP 80 05 6 (revisions in 2016 and May 2019) does not require comparative benchmarks.

The report inaccurately states that ineligible firms "are allowed to continue in the 8(a) Program until their termination proceedings can move forward." The 8(a) Certify application does send out annual review notifications to 8(a) firms. To supplement this process, SBA Business Opportunity Specialists (BOS) also track and monitor firms. For those firms that do not submit the required documentation, servicing BOSs initiate termination actions, and that firm may be suspended until the termination decision is final. If Certify experiences a system issue, this does not mean that firms do not receive any notification, nor does it mean that a lack of automatic notification has adversely affected SBA's ability to timely perform termination proceedings. The report does not provide any concrete examples of firms "allowed to continue in the 8(a) Program" nor does it include any OIG methodology regarding conducting any review of firms.

Finally, regarding the ASMPP, the report states that without an effective IT system, "SBA cannot ensure that eligible participants are in the program or that the program is meeting its intended development purpose." SBA asserts that, while an effective IT system is an important control that could further assist the team in their reviews, even without it, personnel effectively evaluate the eligibility and development of firms utilizing the system as well as a combination of other tools and technology.

OIG Recommendation and Agency Response

SBA agrees with recommendations two through five and seven through nine. SBA partially agrees with recommendation one. The entire Certify investment cannot automatically be included in the Agency's Enterprise Risk List (ERL). SBA identified a specific element of the Certify investment during the August 2019 ERM Board meeting and included that specific element on the Agency's ERL with an appropriate action plan and monitoring. SBA will follow its current process regarding annual validation of the ERL and will hold a broader discussion on the overall Certify investment by the end of FY2020. SBA partially agrees with recommendation six. For recommendation six the OCIO will follow SBA SOP 90 52 IT Investment Performance Baseline Management (PBM) Policy, January 23, 2020, which requires adherence to 11 of the 32 standards defined in the National Defense Industrial Association's Earned Value Management Systems EIA-748 Intent Guide

Thank you for the opportunity to comment on this draft report. Technical comments will be provided to OIG under separate cover, as well as 1824 forms with specific responses to each recommendation. SBA appreciates OIG's consideration of our comments prior to publishing the final report.

Sincerely,

// signed //

Guy Cavallo
Deputy Chief Information Officer