Office of Inspector General

Audit Report

8(a) Basic Ordering Agreements

Report No. 6-5-E-001-021
September 25, 1995

Summary

Curbs on Basic Ordering Agreements Proposed by OIG

Restrictions on the use of basic ordering agreements (BOA) by 8(a) companies were recommended by the Auditing Division. Under present procedures, BOAs can result in unlimited sole source awards to a company, undermining statutory competitive thresholds. The Auditing Division recommended

> limiting the dollar amount of sole source BOA delivery orders to regulatory competitive thresholds ($5 million for manufacturing and $3 million for other SIC codes) and
>
> limiting SIC codes in a BOA to one major group.

The recommendations were contained in a follow-up report to an audit of a Jacksonville, Florida 8(a) firm that obtained sole-source delivery orders in excess of $29 million from one BOA from 1992 to 1994. In two instances, delivery orders were split to avoid competitive thresholds.

SBA procedures permit BOAs to be used to thwart the competitive business development purposes of the Small Business Act, the audit report concluded. Because each BOA delivery order is treated as a separate contract, there is no limit on the aggregate value of orders, the SIC codes used, or the number of procuring agencies that can use a single BOA. Some BOAs include both services and supplies, which have different SIC codes and different competitive thresholds.

The Associate Administrator for Minority Enterprise Development generally agreed with the audit findings and recommendations.

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