

ALERT

SBA Announces Full-Scale Audit of 8(a) Program

July 8, 2025

WHAT: The U.S. Small Business Administration (SBA) announced a “full-scale” audit of the 8(a) program after a former United States Agency for International Development (USAID) contracting officer and three 8(a) business owners pleaded guilty to bribery in the award of over \$550 million in contracts. The 8(a) program provides socially and economically disadvantaged businesses with growth opportunities and access to government contracts. SBA will work with agencies that have awarded 8(a) contracts since 2010 to review those awards, initially focusing on high-dollar and limited-competition contracts. SBA will initiate recovery of misused funds and refer findings of waste, fraud, abuse, and other misconduct to SBA’s Office of the Inspector General and the U.S. Department of Justice for enforcement.

WHEN: On June 27, 2025 SBA Administrator Kelly Loeffler announced an immediate audit of 15 years of contracts awarded under the 8(a) program to be led by SBA’s Office of General Contracting and Business Development. Dr. Tre Pennie, SBA Associate Administrator, will oversee the audit.

WHAT IT MEANS FOR INDUSTRY: Contractors should prepare for inquiries regarding contracts awarded under the 8(a) program, particularly those awarded under limited competition or those with high dollar value. Inquiries will not necessarily be limited to 8(a) prime contractors, but could also involve large business subcontractors to 8(a) primes or prime contractors with 8(a) subcontractors. Contractors should comply with requests for information or outreach from the government in association with an audit but should nevertheless proceed cautiously as audit findings may be referred to enforcement agencies.

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Practice Areas

Government Contracts
Small Business Programs and
Nontraditional Defense Contractors

The exact scope and focus of the audit remains unclear. Although the facts of the USAID case as described by the U.S. Department of Justice involved bribe payments to a contracting officer and other fraudulent conduct, Administrator Loeffler's comments indicate any and all contracts involving the 8(a) program are eligible for review. Additionally, contracting officers may face heightened scrutiny in the award of any 8(a) contracts and awards may take additional time or be paused pending further instructions. This audit reflects the Administration's increased oversight of federal employees and the programs they administer.

There is no indication that the 8(a) program will be dismantled but given the Administration's rollback of diversity initiatives and the 8(a) program's prior efforts to diversify federal contracting, the audit may be a precursor to limiting the reach of 8(a) contracts. Information gathered during the process may inform additional actions around the program and contractors should maintain strict compliance with 8(a) requirements.

Wiley's Government Contracts Practice will continue to monitor this issue and keep contractors apprised of new developments.