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## United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

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December 16, 2010

The Honorable Karen G. Mills  
Administrator  
U.S. Small Business Administration  
409 Third Street, SW  
Washington, D.C. 20416

Dear Administrator Mills:

As Administrator of the Small Business Administration (SBA), you have brought a renewed focus to the agency in rooting out fraud and abuse in the areas of government contracting. We commend the SBA and the Inspector General's office for recent actions to punish illegal activity in the SBA's small business contracting programs. Unfortunately, there remains significant work to be done to ensure that all of the programs are running efficiently, effectively, and free of exploitation.

In the past year, the Government Accountability Office (GAO) has identified vulnerabilities and abuses in virtually all of the SBA's contracting programs, including the 8(a) Business Development Program, the Historically Underutilized Business Zone (HUBZone) program, and the Service-Disabled Veteran-Owned small business (SDVOSB) program. The following headlines have plagued the SBA over the past twelve months:

- *December 10, 2010 – Small business contracts under scrutiny from several federal agencies (Washington Post)*
- *November 19, 2010 – SBA suspends two firms alleging contracting abuse (Federal Times)*
- *October 1, 2010 – SBA suspends major contractor GTSI from government work (Washington Post)*
- *September 30, 2010 – A Washington Post Investigation: Alaska Native Corporations (Washington Post)*
- *June 25, 2010 – Undercover Tests Show HUBZone Program Remains Vulnerable to Fraud and Abuse (GAO)*
- *May 24, 2010 – SDVOSB: Fraud Prevention Controls Needed to Improve Program Integrity (GAO)*
- *March 30, 2010 – 8(a) program: Fourteen Ineligible Firms Received \$325 Million in Sole-Source and Set-Aside Contracts (GAO)*

As Chair and Ranking Member of the Senate Committee on Small Business and Entrepreneurship, we are deeply troubled at these headlines showing the pervasiveness of fraud and abuse in small business contracting. It is our role to conduct vigorous oversight, to ensure that the SBA is taking the appropriate steps to administer the programs in a manner to eliminate fraud and abuse. Federal procurement provides essential opportunities to small businesses across the country, but those legitimate firms are being threatened by the bad actors that continue to tarnish both the perception and the effectiveness of the SBA's contracting portfolio.

Moving forward, our first priority in the 112<sup>th</sup> Congress is to ensure the SBA is taking all the requisite steps to purge any and all fraud and abuse. As such, we are asking you to provide a detailed plan for addressing and rectifying the vulnerabilities plaguing the 8(a), HUBZone, and SDVOSB programs, specifically, how the SBA will implement the dozens of GAO recommendations made in the reports listed above and what steps have been taken to crackdown on the widespread abuses.

There is no denying that federal procurement is vital to our nation's small businesses. For small firms that are struggling to stay afloat and maintain their workforce, federal contracting can be an instrumental part of a larger strategy for broadening their customer base and creating jobs. Therefore, it is imperative that the SBA act quickly to eradicate fraud and abuse in the small business contracting programs to provide the maximum practicable opportunities for America's true job generators. We look forward to your prompt response and thank you again for your commitment to our nation's small businesses.

Sincerely,



Mary L. Landrieu  
Chair



Olympia J. Snowe  
Ranking Member

cc: The Honorable Peggy E. Gustafson