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United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

May 7, 2003

VIA FACSIMILE
ORIGINAL BY U.S. MAIL

The Honorable Hector V. Barreto
Administrator
Small Business Administration
409 Third Street, SW
Washington, DC 20416

Dear Administrator Barreto:

Ensuring that small businesses have a fair opportunity to compete for Federal contracts is a high priority of the Committee on Small Business and Entrepreneurship. Therefore, in January 2003, concerned by alleged reports that large companies are improperly obtaining government contracts set aside for small businesses, I requested the General Accounting Office (GAO) conduct an investigation into these allegations.

As you know, the Federal Procurement Data System (FPDS) has reported that about 50,000 small businesses received approximately \$50 billion, or 21.3 percent, of Federal prime contract dollars awarded in Fiscal Year 2001. However, as a result of GAO's investigation, I understand that approximately 5,000, or 10 percent, of these companies received reported contract awards both as small businesses and large businesses.

The GAO observed the primary reason contract actions were reported as small business awards is because current regulations permit companies to maintain small business status for the life of the contract. The GAO also found that contracting officials reported some contract actions as small business awards because they relied on databases, such as the Small Business Administration's (SBA) Procurement Marketing and Access Network (PRO-Net) and the Department of Defense's Central Contractor Registration (CCR), which contain conflicting and incorrect information.

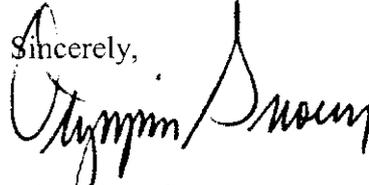
While I am encouraged by recent actions taken by the Office of Federal Procurement Policy, the SBA, and the General Services Administration to protect small business and improve the accuracy of Federal agency small business achievement reports, I am deeply disturbed by GAO's findings, which raise serious concerns about relying on the FPDS data to measure Federal agencies' efforts to meet the government's 23 percent small business goal.

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Accordingly, please advise me of the steps you are taking to ensure that Federal agency small business achievements are reported accurately. If this is a statutory problem, please advise me what actions Congress needs to take to address this issue.

Thank you for your assistance in addressing these issues. If you have any questions regarding this matter, please feel free to contact me or have your staff call Nancyellen Gentile of my Small Business Committee staff at (202) 224-5175.

Sincerely,

Olympia J. Snowe
Chair