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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

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May 19, 2015

The Honorable Maria Contreras-Sweet
Administrator
U.S. Small Business Administration
409 3rd St, SW
Washington, DC 20416

Dear Administrator Contreras-Sweet:

I am writing to express my deep concerns regarding the determination of the annual procurement scorecard for awarding federal contracting money to small businesses. As you know, The Small Business Act establishes that 23% of federal government contracts be awarded to American small businesses every year.¹ Past investigations into how that number is reached, including which businesses are counted, reveal extensive evidence of ineligible firms factoring into the total. In its 2015 report on the most serious challenges faced by the Small Business Administration (SBA), the SBA's Office of Inspector General (OIG) found "widespread misreporting by procuring agencies" represents an ongoing problem.² I worry that the SBA and Obama administration have not been forthright in disclosing how they arrived at recent procurement numbers, and I request that you provide more information.

In 2013, for example, the Obama administration announced that it met the 23% goal, a target not achieved in eight previous years.³ A report by the OIG later found that over \$400 million in federal contracts that counted as being awarded to small businesses in FY 2013 actually went to ineligible firms.⁴ Moreover, a recently released independent report determined that "in 2013, seven of the 10 largest [federal] contractors received at least one contract that the

¹ 15 U.S.C. §644(g)(1)(A)(i).

² SBA Office of Inspector General, Report on the Most Serious Management and performance Challenges Facing , the Small Business Administration in Fiscal Year 2015, Oct. 17, 2014, available at https://www.sba.gov/sites/default/files/oig/SBA%20OIG%20Report%2015-01%20-%20FY%202015%20Management%20Challenges_0.pdf.

³ U.S. Small Business Administration, Obama Administration Achieves 2013 Small Business Federal Procurement Contracting Goal, <https://www.sba.gov/content/obama-administration-achieves-2013-small-business-federal-procurement-contracting-goal>.

⁴ SBA Office of Inspector General, Agencies are Overstating Small Disadvantaged Business and HUBZone Goaling Credit by Including Contracts Performed by Ineligible Firms, Sept. 24, 2014, available at <https://www.sba.gov/sites/default/files/oig/Agencies%20Are%20Overstating%20SDB%20and%20HUBZone%20Goaling%20Credit.pdf>.

SBA counted towards fulfillment of small business goals.”⁵ These findings cast serious doubts on the accuracy and authenticity of the claimed procurement figure.

As for FY 2014, the federal government’s “Small Business Dashboard” claims that government-wide contracts awarded to American small businesses reached a historic record of over 25%.⁶ Media sources speculated that you planned to officially announce this milestone at the White House earlier this month, but cancelled at the last minute after learning that questions would be asked about how that number was achieved.⁷

Serious flaws undoubtedly exist in calculating and accurately reporting the number of government contracts annually awarded to small businesses. Simply ignoring the problem does nothing to help small businesses. Without transparency and accountability in the process, the numbers are meaningless. Drawing attention to them only hides the significant problems small businesses face in obtaining government contracts, and stifles efforts to reform the system. The SBA has not done enough to show how it reaches its procurement figures. Accordingly, I ask that you produce a clear list of the names of every contractor that counted towards the small business procurement goal for FY 2014, the size of the contractor, and the amount of the contract(s) awarded to that contractor.

Please provide this information to the Committee on Small Business and Entrepreneurship’s Majority Office, Room 428A Senate Russell Office Building, by Friday, June 12, 2015. If you have any questions, please direct them to the Committee staff at (202) 224-5175.

Sincerely,



David Vitter

Chairman

U.S. Senate Committee on Small Business and Entrepreneurship

⁵ Public Citizen, *Sleighted Accounting Tricks Create False Impression That Small Businesses Are Getting Their Share of Federal Procurement Money, and the Political Factors that Might Be at Play*, May 6, 2015, available at <http://www.citizen.org/documents/Small-business-contracting-report.pdf>.

⁶ Small Business Dashboard for FY 2014, http://smallbusiness.data.gov/explore?tab=By+Performance+Goal&carryfilters=on&fromfilter=yes&fiscal_year=2014&fromfiscal=yes (last visited May 18, 2015).

⁷ Kent Hoover, *It’s time for SBA to get real about small business contracting numbers*, THE BUSINESS JOURN. (May 8, 2015) <http://www.bizjournals.com/bizjournals/washingtonbureau/2015/05/its-time-for-sba-to-get-real-about-small-business.html?page=all>.