



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

July 3, 2007

Dear Chief Executive Officer:

I am writing to ask you, as a major federal government contractor, to help the U.S. Small Business Administration maintain the accuracy, transparency, and accountability of the federal contracting process. SBA helps coordinate compliance with the federal goal that at least 23 percent of government contracts go to small business. Inaccurate or unreliable data undermine SBA's founding purpose, to ensure a strong national commercial and industrial base by helping small firms participate fully in the federal marketplace.

For many years, regulations have allowed government agencies to count contracts as "small" for the life of the contract, even if the small business was subsequently purchased by a larger firm. This policy was appropriate when typical contracts had a short life, from one to five years. But today, major small business contracts run for up to 20 years, leading some to question the classification of almost \$12 billion in federal small business contracts. The vast majority of the challenged contracts belong to small firms purchased by larger companies, or are simple miscoding errors, often from when a contract is awarded to a small-sized division or subsidiary of a larger firm.

Last November, SBA and the White House's Office of Federal Procurement Policy announced a series of steps to ensure contracts scored as small business awards are, in fact, in the hands of small business. Effective June 30, 2007, any company with a federal contract recorded as "small" will have to recertify its size whenever it is merged, acquired or changes ownership. Federal contracting officers are modifying contracts to provide for recertification of the size status on all existing long-term contracts (five years or more) with firms involved in past mergers or acquisitions to ensure that they are still small. These changes will require that firms recertify small business size status at the completion of the first five years of the contract, and prior to the execution of options thereafter.

Similar changes are being made for existing short-term contracts (less than five years). They are being modified when options are exercised, typically yearly, to require size recertification when a merger or acquisition occurs. For long-term or short-term contracts, whenever a firm exceeds the size standard, the contract can continue, but the federal agency will no longer score it as "small" and it will not count towards the 23 percent target. With these changes, contracting officers will "scrub" virtually all large corporations out of the list of small business contracts before July 2008.

With tens of millions of contract actions recorded in the federal government's database and over five million new actions added each year, there are certain to be errors and oversights. So SBA is asking for your help in two areas:

First, by September 30, 2007, we ask that you have your contract administrators work with the appropriate federal contracting officers to identify any small business contracts that your corporation, subsidiaries and divisions may have, so they can be correctly recorded. Second, please flag any short-term federal contracts that have options greater than one year, and voluntarily recertify those contracts as "other than small." With your cooperation, we can correct remaining discrepancies so that all large firms are removed from the small business database within the year.

I would appreciate it if your corporation would share the information requested above with both your federal contracting officer and with Robert Connolly, Office of Government Contracting, (Robert.Connolly@sba.gov) at SBA.

Changes are being made to the federal procurement database system so that information from the re-certifications will be recorded and available for review in November. At that time, we will be asking the small business community and other stakeholders to weigh in on any remaining oversights and inaccuracies.

Thank you for the support you provide to the United States government and, through it, the American people. And thank you in advance for your attention to this request.

Sincerely,

Steven Preston
Administrator