

May 11, 2005

Mr. William Swanson
Chairman & CEO
Raytheon Company
870 Winter Street
Waltham, MA 02451

Re: Report on Business Coding

Dear Mr. Swanson:

Congress established the Office of Advocacy (Advocacy) under Pub. L. 94-305 to represent the views of small business before Federal agencies and Congress. As part of its statutory mandate, Advocacy publishes research that informs policy makers about issues of concern to small business. Advocacy is an independent office within the SBA, so the views expressed by Advocacy do not necessarily reflect the views of the SBA or of the Administration.

On April 21, 2005 my staff and I met with Donald Ronchi, Vice President, Raytheon Six Sigma, and Benita Fortner, Director, Supplier Diversity Programs. This meeting was in response to a request made by Mr. Ronchi in a letter dated February 21, 2005, and was an attempt at obtaining a better understanding of the findings in the Advocacy report published in 2004 (*Analysis of Type of Business Coding for the Top 1,000 Contractors Receiving Small Business Awards in FY 2002*). Raytheon was listed as one of the large businesses receiving small business federal contracting in FY 2002. The report did not attribute fraud, or any negative intent to Raytheon or to any of the other cited large businesses. The conclusion of the report identified several existing federal policies that could have contributed to the improper coding of contracts. Erroneous company size or type codes assigned by contracting officers and large firms acquiring small firms during the fiscal year were two of the problems identified in the report.

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In the April 21 meeting, Mr. Ronchi and Ms. Fortner briefed staff from my office on how Raytheon conducts its federal business. Although Advocacy's report accurately reflects the public data that is available on Raytheon's Federal contracts, it appears that the underlying public data is inaccurate. This problem essentially supports the findings of Advocacy's report—that there is a problem in how the data is processed and entered into the Federal procurement data system. Clearly, this error highlights the need for a better system to collect and report Federal contracting activities.

Raytheon has a sound history of supporting Federal small business programs. I commend you and your colleagues and especially the dedication of Ms. Fortner. Your team who met with me last month pledged to work with my office and hold government accountable for their stewardship of small business contracting data. It is unfortunate that news reports have pointed the finger at large contractors for data errors when my office's report placed the blame on government policies and procedures.

I am confident that as we move forward we can improve the Federal procurement data collection process which in turn will give policy makers more accurate data for decision making.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'T. M. Sullivan', with a stylized flourish at the end.

Thomas M. Sullivan

Chief Counsel for Advocacy

cc: Donald M. Ronchi, Vice President, Raytheon Six-Sigma
Benita Fortner, Director, Supplier Diversity Programs