



SMALL BUSINESS RESEARCH SUMMARY

No. 246
December 2004

Analysis of Type-of-Business Coding for the Top 1,000 Contractors Receiving Small Business Awards in FY 2002

by Eagle Eye Publishers, Inc.
2004. [14] pages. Fairfax, Va. 22030
under contract no SBAHQ-02-M0465 (Part 2)

The Individual Contract Action Report (ICAR), maintained by the General Services Administration's (GSA's) Federal Procurement Data System (FPDS) is the government's master contract database of how agencies spend available procurement dollars. Information entered into the FPDS plays a critical role in measuring the success or failure of small business procurement policies each year.

A review of the transaction records coded as being awarded to small businesses in the ICAR file identified large vendors as some of the actual recipients. This calls into question the reliability of the FPDS in determining contractor size. Drawing extensively from data in the ICAR file, this study provides a preliminary statistical assessment of the extent to which names of large businesses appear among the awards made to the 1,000 largest small business contractors in FY 2002.

Overall Findings

Of the top 1,000 small business contractors in FY 2002, Eagle Eye Publishers' analysis found 44 parent companies it identified as either large firms or "other." Contracts to these two groups taken together had a total value of \$2 billion. The coding problem could have been a result of erroneously assigned type-of-business codes, or of a large firm's acquisition of a smaller firm during the fiscal year, or of a small firm's growing out of its size classification, among other possible reasons.

Highlights

- Eagle Eye found 39 large companies among the top 1,000 small business contractors in FY 2002. It classified another five contractors as "other" entities, including non-profit organizations and government entities.
- The total contract dollars awarded to these 44 entities was \$2 billion. If these awards had been coded as going to large businesses or "other," this would have lowered the small business share of FY 2002 procurement from 20.5 percent to 19.7 percent.*
- The Department of Defense and the General Services Administration accounted for 79 percent of the contract awards found to have gone to large businesses or those in the "other" category. The analysis shows that DoD's contracts amounted to \$967.6 million and GSA's were \$620.0 million. Other agencies had significantly lower amounts.
- Eighty percent of these awards were issued on some form of multiple award or IDIQ (indefinite delivery/indefinite quantity)-type contract.
- The inconsistent type-of-business coding found in this study suggests that federal policymakers need to review and streamline agency policies on designating vendors as small businesses.

*Percentage of contracting dollars designated for small business procurement based on Eagle Eye estimates for FY2002.

Scope and Methodology

The authors selected all FY 2002 ICAR transaction records coded as a “small, minority-owned business” or “all other small business.” This information was merged with Eagle Eye’s proprietary data on parent companies for every firm listed in the ICAR database. The resulting database was then sorted, totaled, and ranked, generating Eagle Eye’s small business ranking for FY 2002.

Eagle Eye then identified all known Dun & Bradstreet Data Universal Numbering System (DUNS) numbers associated with these companies. This contract file was also merged with the Central Contractor Registry (CCR) and Pro-Net company files, using the DUNS number as the linking field, to identify the SBA- and Department of Defense (DoD)-assigned small business classifications for the top 1,000 contractors. The official CCR and Pro-Net small business indicators helped to validate Eagle Eye’s small business designations.

Eagle Eye developed a coding system of business size status to identify small firms in the ICAR data that appeared to be coded correctly, questionably, or incorrectly.

The final report was peer reviewed consistent with the Office of Advocacy’s data quality guidelines. More information on this process can be obtained by contacting the director of economic research at *advocacy@sba.gov* or (202) 205-6533.

Ordering Information

The full text of this report and summaries of other studies performed under contract to the U.S. Small Business Administration’s Office of Advocacy are available at *www.sba.gov/advo/research*. Copies are also available from:

National Technical Information Service
5285 Port Royal Road
Springfield, VA 22161
(703) 487-4650, (703) 487-4639 (TDD)
www.ntis.gov

NTIS order number: PB2005-100004

Pricing information:

Paper copy A03 (\$26.50)

Microfiche A01 (\$14.00)

CD-ROM A00 (\$18.95)

Electronic download A00 (Free)

To receive email notices of new Advocacy research, press releases, regulatory communications, and publications, including the latest issue of *The Small Business Advocate* newsletter, visit *http://web.sba.gov/list* and subscribe to the appropriate Listserv.