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United States Senate

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

April 10, 2008

The Honorable Steven C. Preston
Administrator
U.S. Small Business Administration
409 Third Street S.W.
Washington, D.C. 20416

Dear Administrator Preston:

I'm writing today to express serious concerns with the oversight of the Small Business Administration's small business contracting programs. Recent press reports indicate that a 22 year-old from Miami, FL was able to obtain more than \$298 million in federal contracts. Not only was this individual – under the corporate name AEY Inc. – providing 40 year-old munitions from China to Afghan security forces, but reports also indicate he may have received these DoD contracts with a special Small Disadvantaged Business designation for which he was not eligible. Although the Small Business Administration did not grant any of these contracts, I believe your agency has a responsibility to protect the integrity of small business contracting across the federal government and thus bears some responsibility for this reported abuse of small business contracting set-asides.

Lack of oversight of contracting programs within the federal government is allowing companies like AEY Inc. to erroneously access hundreds of millions of dollars in contracts as an SDB, undermining a program created to level the playing field for small disadvantaged businesses. In order to better oversee the SDB program and small business contracting, I request that you provide answers to the Committee to the following questions by April 16, 2008:

1. Please describe the specific oversight activities that SBA undertakes to ensure the integrity of the SDB program.
2. What if any benefit in accessing federal contracts is provided to Small Disadvantaged Businesses? Any answer should include but not be limited to a discussion of the history and relevance of the Price Evaluation Adjustment or any other mechanisms to increase the competitiveness of SDBs.
3. What training does the agency provide to the contracting offices throughout the Federal Government with respect to small business programs?
4. How often does the agency audit SDB companies?

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5. Please provide all relevant documents pertaining to AEY Inc.

Thank you in advance for your cooperation on this important issue. If you have questions about this matter, please feel free to contact me, or have your staff contact Gregory Willis at (202) 224-5175.

Sincerely,



John F. Kerry
Chairman