

United States Senate

WASHINGTON, D.C. 20510

November 19, 2004

The Honorable David M. Walker
Comptroller General of the United States
U.S. Government Accountability Office
441 G St. NW
Washington, D.C. 20548

Dear Comptroller General Walker:

We are writing to request your assistance in a joint inquiry of the Senate Committee on Energy and Natural Resources and the Senate Committee on Small Business and Entrepreneurship concerning small business prime and subcontracting practices at the U.S. Department of Energy (DOE). Like other federal agencies, DOE is responsible for carrying out the mandate in Section 15(g) of the Small Business Act to expand small business prime contracting and to fulfill negotiated goals which contribute to the government-wide effort to direct at least 23 percent of federal prime contract dollars to small businesses every year (prime contracts mean direct contracts with the government). In fiscal year 2000, DOE's reported contribution to the annual government-wide goal dropped substantially, after the methodology for counting DOE's small business prime contracts was changed and the Department was no longer able to count subcontracts of its facility management contractors towards its prime contracting achievements. Since that time, DOE's annual achievements, roughly 3 to 4 percent of its total prime contract dollars, have lagged far behind their previous levels, as well as behind those reported by most other federal agencies.

At the request of the Small Business Administration, which oversees the government-wide goal, DOE's small business office submitted a plan describing how, by the year 2022, the Department intended to increase its small businesses prime contracting to a level commensurate with the government-wide goal of 23 percent. To achieve such an increase by 2022, the plan proposes redirecting billions of dollars from DOE's facility management contracts into prime contracts with small businesses that the department would administer. Facility management contractors carry out the core of DOE's multiple missions by managing and operating its research laboratories, providing stewardship of the nation's nuclear stockpile, and overseeing major environmental cleanup and closure operations at DOE sites. As a result, the 37 facility management contracts comprise more than 80 percent of DOE's annual contracting budget of over \$20 billion.

At a recent hearing before the Senate Energy and Natural Resources Committee, GAO testified that, despite the plan prepared by DOE's small business office, it is unclear whether the Department made an actual agency-wide commitment to the 23 percent goal, and it has no consistent long-term strategy for achieving that goal. GAO also said that the Department is uncertain of the extent to which work performed by DOE's facility management contractors could be feasibly set aside as prime contracts for small businesses. Although in a few instances

DOE has begun setting aside this work for small businesses, the three largest program offices have voiced conflicting views on how much their programs could achieve without compromising the safety and security of their missions, or their ability to oversee the contracts.

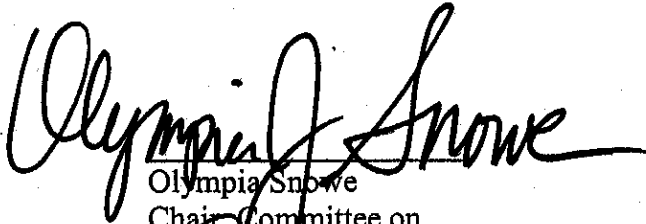
Given the challenge facing DOE to dramatically increase its small business prime contracting, we want to assure that DOE utilizes appropriate practices and has the necessary tools to aggressively expand prime contracting to small businesses while also ensuring the success of their other mission requirements. To obtain a more thorough understanding of this issue, we request that the General Accounting Office address the following questions:

1. What steps is DOE taking, or planning to take, to increase its level of prime contracting with small businesses? What criteria does the Department use to identify work performed by its facility management contractors that could be set aside for a prime contract with small business while adequately assuring mission accomplishment, safety, and security?
2. What are the federal government's "best practices" in increasing small business prime contracting which adequately assure mission accomplishment, safety, and security considerations for other agencies? Is DOE following the "best practices" used by other federal agencies that share similar national security or safety challenges as those faced by DOE, or any applicable guidance of the SBA or the OFPP, for increasing their small business prime contracting?
3. What challenges or barriers exist to DOE increasing its level of small business prime contracting, and what is the Department doing to address these challenges? For example, does the DOE have sufficient resources, acquisition workforce, and internal processes to fully implement a small business prime contracting program that complies with small business contracting goals and federal contracting competition requirements, as well as the capabilities to administer its large and small prime contracts with sufficient oversight to assure mission accomplishment, safety, and security considerations? If not, what changes in resources, acquisition workforce, or other capabilities would be required?
4. What are the typical small business subcontracting requirements imposed by the DOE on its facility management contractors? What are the challenges in assuring that DOE's facility management contractors comply with their subcontracting requirements?
5. Some DOE small business subcontractors express a range of concerns and feel that they are not always used effectively, or even fairly, by the facility management contractors. What are the frequently occurring concerns and challenges experienced by DOE small business subcontractors, and what are potential approaches to assure that the facility management contractors address or mitigate these concerns and challenges?

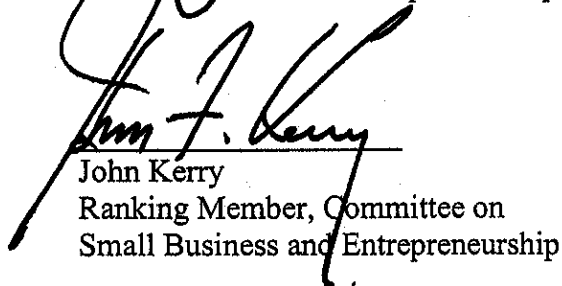
In addition, please add the Chair and Ranking Member of the Senate Small Business and Entrepreneurship Committee, Olympia J. Snowe and John F. Kerry, and the Ranking Member of the Senate Energy and Natural Resources Committee, Jeff Bingaman, as requesters to the June 1, 2004 request on this general topic as made by Chairman Pete V. Domenici.

Thank you in advance for your assistance. If you have questions regarding this request, please contact Max Kidalov and Nigel Stephens, Small Business and Entrepreneurship Committee, at 224-5175, and Pete Lyons and Allen Stayman, Energy and Natural Resources Committee, at 224-4971.

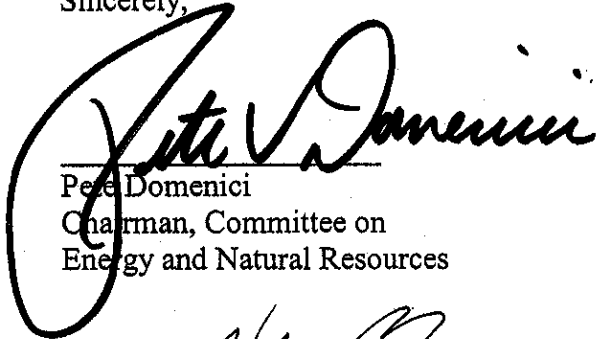
Sincerely,



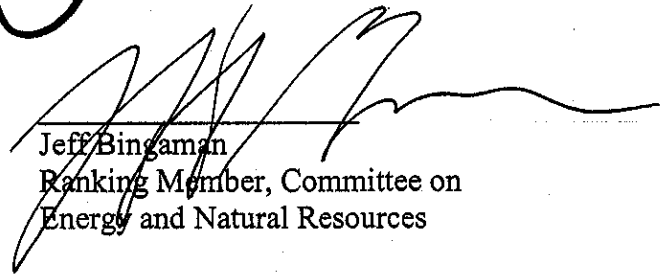
Olympia Snowe
Chair, Committee on
Small Business and Entrepreneurship



John Kerry
Ranking Member, Committee on
Small Business and Entrepreneurship



Pete Domenici
Chairman, Committee on
Energy and Natural Resources



Jeff Bingaman
Ranking Member, Committee on
Energy and Natural Resources

cc: Small Business Administration
Department of Energy
Office of Federal Procurement Policy