



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

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OFFICE OF THE ADMINISTRATOR

The Honorable John F. Kerry  
Ranking Member  
Committee on Small Business and Entrepreneurship  
United States Senate  
Washington, DC 20510

Dear Senator Kerry:

Thank you for your letter of November 28, 2005, regarding the new Electronic Subcontracting Reporting System (eSRS). As you know, the U.S. Small Business Administration (SBA) and the General Services Administration's (GSA) Integrated Acquisition Environment Program Office announced a new system to streamline reporting of small business subcontracting activity on large Federal prime contracts.

This internet tool for reporting on subcontracting plans will streamline the process, and provide agencies with immediate access to analytical data on subcontracting performance. The eSRS represents a significant step towards using technology to streamline the Federal procurement process. Together with the Federal Procurement Data System Next Generation (FPDS-NG), the Federal government now has advanced tools to monitor and analyze contracting data, and to provide more transparency to the process.

We understand that you have four primary concerns, as follows:

1. "Will the SBA take any responsibility to ensure that the subcontracting data reported through the eSRS is accurate? What oversight does the SBA plan to perform in order to ensure the accuracy in the reporting of small business subcontracting data?"

Answer: Because it is an electronic system, the eSRS will eliminate many of the traditional errors in computing percentages and other arithmetic computations that we have encountered in the past. Moreover, when fully operational, the eSRS will provide an application interface that will eliminate keypunching errors. Finally, the SBA will continue its on-site compliance reviews and other activities to verify that prime contractors are reporting their achievements accurately.

2. "Given the numerous problems that exist in the FPDS-NG system responsible for tracking the amount of dollars spent over the life of a prime contract because of reliance on the DUNS number, how does the SBA plan to monitor first, second, or even third tier subcontracts if it is also relying on the DUNS number?"

Answer: The eSRS does not rely entirely upon DUNS numbers for identifying prime contractors and subcontractors, but the DUNS number is one component of the system. To track subcontracting activity at lower tiers, subcontractors (i.e., large business subcontractors) will enter the prime contract number, the DUNS number of the prime contractor or higher-tier subcontractor awarding them their subcontract, and the subcontract number. This will allow the eSRS to tie subcontracting activity on any given contract together into one comprehensive report. The interagency team that developed the Statement of Work for the eSRS believes that this is a viable and effective approach to lower-tier reporting.

3. "Currently, there are over 10,000 Indefinite Delivery Indefinite Quantity (IDIQ) contracts missing in the FPDS-NG system, with listings either in the award file with no link to the contract summary or vice versa. In this form, it is impossible to attain the description of what items are part of what awards and the dollar value associated with each. How does the SBA plan to monitor the small business subcontracts awarded under IDIQ contracts?"

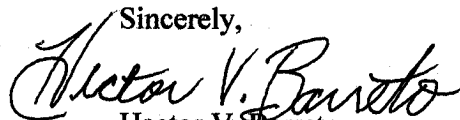
Answer: The General Services Administration (GSA), which is the systems steward for FPDS-NG, has advised us that 10,000 contracts are not missing, and that they are currently in the process of using the tools and reports to identify the contract numbers. While we realize that the process may not work perfectly on day one, we remain confident that we can overcome any initial technical challenges in isolating the data that we need.

4. "How does the SBA plan to address the concerns of small businesses subcontractors regarding dishonest practices and unethical treatment by some prime contractors?"

Answer: The SBA will continue to counsel large business contractors on best practices and their responsibilities under Section 8(d) of the Small Business Act. When necessary, the SBA will also ask the contractors for corrective action plans and will provide copies of our compliance reports to the contracting officers. The SBA also counsels small businesses, of course, on how to market themselves in this arena to the best advantage.

Thank you for your interest in the eSRS. Please feel free to contact Arthur Collins, Project Manager for the Electronic Subcontract Reporting System, at (202) 205-7218 if you have any additional questions or concerns.

Sincerely,

  
Hector V. Barreto  
Administrator