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

by

**Eagle Eye Publishers, Inc.**
**Fairfax, VA**

for

**SBA**
**Office of Advocacy**

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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

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**Introduction**

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. In FY 2002, this file reported procurement data for 84,501 companies, 215,506 contracts and over 700,000 contract transactions.

Among the approximately four dozen key data elements entered in the ICAR database by contract officers for each contract action are a variety of business type, socioeconomic indicators specifying company size (e.g., small, large), and ownership characteristics (e.g., minority-owned, woman-owned, veteran-owned). Many decisions about procurement policy are based upon the analysis of spending trends in these data categories.

For federal procurement purposes, a business is classified as small if it is independently owned and operated and not dominant in its market, according to the U.S. Small Business Administration (SBA). A firm must also fall under certain employment and revenue thresholds to be considered small. These thresholds are known as "size standards." They are assigned and administered by the SBA's Office of Size Standards.

The size standards used by all agencies in FY 2002 were extensively modified by the SBA in October, 2000. At that time, the SBA transformed the old Standard Industrial Classification (SIC)-based system to one based on the North American Industrial Classification Code (NAICS). Businesses are coded as small based on either a three-year average revenue threshold or an employment threshold established by SBA for each separate, six-digit NAICS category. Socioeconomic company data collected along with business size information as part of the ICAR data collection process apply only to small vendors.[1]

Businesses self-certify as small or large on each bid they submit. Examples of registration tools include the Department of Defense's Central Contractor Registry (CCR) and the SBA's Pro-Net contractor databases. Enforcement of the size standard by the SBA occurs when a company's self-certification is protested by a contracting officer, another bidder, or by the SBA. During fiscal year 2002, the SBA processed 383 size protests. Of these, 110 protests, or 29%, were dismissed on procedural grounds. Of the cases accepted for review, 85 firms were found to be other than small.[2]

Eagle Eye has found that transaction records coded as being awarded to small businesses in the ICAR file often identify Large and "Other" vendors as the actual contract

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[1] U.S. Small Business Administration, *Guide to SBA's Definitions of Small Business*, downloaded from www.sba.gov August 21, 2003, page 1.
[2] Fred Armendariz, "Prepared Remarks of Mr. Fred C. Armendariz, Associate Deputy Administrator, Small Business Administration," presented at the U.S. House of Representatives Small Business Committee Hearings, "Are Big Businesses Being Awarded Contracts Intended for Small Businesses?" (U.S. Small Business Administration, Washington, DC), May 7, 2003

recipients. This leads to many situations where the same company gets assigned with two or more different Business Type codes. In FY 2002, a total of 17,326, or 29 percent, of the 60,071 individual companies/divisions (DUNS translations) reporting small business prime contract revenue also reported receiving dollars coded under other types of business.

Such acquisition vehicles as the GSA Schedule and Multiple Award Contracts (MACs) lack the safeguards that traditionally protected small business procurement. For example, GSA Schedule contracts allow for task orders to be awarded that are currently not subject to the size standards requirement of the Small Business Act. Nonetheless, the number of small business contracts using these vehicles has grown. Table 1 shows that small business awards on GSA Schedule Contracts grew 298 percent between FY 1995 and FY 2002, while MAC small firm transactions grew exponentially. Table 6 (below, page 12) and the accompanying discussion describe this phenomenon in more detail.

**Table 1: Count of Small Business Contract Transactions**
**On GSA Schedule and MAC Contracts, FY95 - FY02**

| | FY95 | FY96 | FY97 | FY98 | FY99 | FY00 | FY01 | FY02 | Change |
|---|---|---|---|---|---|---|---|---|---|
| GSA Schedules | 9,672 | 9,803 | 10,798 | 13,769 | 18,981 | 22,289 | 26,121 | 38,529 | 298.4% |
| Multiple Award Contracts | 9 | 129 | 7,797 | 10,220 | 12,041 | 14,790 | 18,172 | 20,482 | 227477.8% |

These observations and trends raise questions about the extent to which the ICAR file can be relied upon to assess fundamental measures of small business participation in the federal marketplace. As GSA Associate Administrator Felipe Mendoza acknowledged before the U.S. House of Representatives Small Business Committee at its May, 2003 hearings, "The FPDS is not a reliable source for determining a contractor's size."[3]

Nonetheless, information entered into the FPDS system plays a critical role in measuring the success or failure of small business procurement policies each year. Drawing extensively from data in the ICAR file, this study provides a preliminary, statistical assessment of the extent to which the names of large businesses appear among the awards made to businesses ranked among the 1,000 largest small vendors in FY 2002.

## Data Sources and Methodology

### ICAR Procurement Data

To perform this analysis Eagle Eye Publishers, Inc., (Eagle Eye) extracted all contract transaction records from the ICAR file coded as being awarded to small businesses in FY 2002. Eagle Eye enhanced these extracted records with additional, small business information from the SBA's Pro-Net small business file (downloaded August, 2003), the DoD's master CCR database (April, 2003 version), and from Eagle Eye's staff research.

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[3] Felipe Mendoza, "Prepared Remarks of Mr. Felipe Mendoza, Associate Administrator, U.S. General Services Administration," presented at the U.S. House of Representatives Small Business Committee," (U.S. Small Business Administration, Washington, D.C.), May 7, 2003.

The ICAR file was the source of all dollar figures and the source of the officially-assigned small business designations.

The ICAR database provided the original, source data used in this study. The ICAR database is an electronic file containing data fields corresponding to all the information elements collected by contract officers on the DD-350 (defense) and SF-279 (civilian) ICAR forms. Each ICAR record represents information about one unique contract obligation on an unclassified prime contract typically worth at least $25,000.

In FY 2002, a total of over 700,000 ICAR transactions were reported on 215,506 individual prime contracts. Small, sub-$25,000 obligations can be made on an SF-279 but are more commonly reported in bulk through the SF-281 small purchase report. There is no upper limit to the value of contracts reported in a DD-350 or SF-279 report; all reported contracts are included in Eagle Eye's database.

In FY 2002, each contract office collected information on every transaction they administered and forwarded this information to their bureau's or agency's procurement data office. These offices took responsibility for performing preliminary data validation and forwarding valid transaction records to the FPDS each quarter for further editing and publication. With the adoption of the new FPDS-Next Generation (FPDS-NG) reporting system, these procedures will change over time to provide more direct input from the original contract entry system.

Contained in each ICAR transaction record is information describing the financial, competitive, statutory and other characteristics of the obligation. Over the entire course of a contract's duration, a contract officer might fill out numerous DD-350 or SF-279 forms for a single contract. This is because the dollars contained in a single obligation may not represent the total value of a contract. Some small contracts have only one obligation, but some large contracts can have well over 100.

Each DD-350 or SF-279 report forms the basis of a separate record in Eagle Eye's ICAR contracts database. Each record shows a unique combination of the following data elements: reporting agency, contract number, contract modification number, contracting office order number, contracting office code, action date, and amount of obligation (or de-obligation). Each time a new form is filled out a separate task has been documented.

One of the key fields captured in the ICAR report data entry process is the Type of Business code which identifies the size and nature of the recipient vendor on each transaction. It is the assignment of this code to the procurement data that helps agencies measure the amount of small business procurement done during the year, and it is the application of this code that this study assesses. The available Type of Business code assignments are listed in Table 2, below. The Type of Business codes were maintained throughout the study as the official measure of agency small business spending against which Eagle Eye compared the results of its research.

**Table 2: ICAR Type of Business Codes**

| Code | Description |
|------|-------------|
|  | NOT REPORTED/NOT AVAILABLE |
| A | SMALL, MINORITY-OWNED BUSINESS |
| B | OTHER SMALL BUSINESS |
| C | LARGE BUSINESS |
| D | JWOD NONPROFIT AGENCY |
| E | NONPROFIT EDUCATION ORGANIZATION |
| F | NONPROFIT HOSPITAL |
| G | OTHER NONPROFIT ORGANIZATION |
| H | STATE/LOCAL GOVERNMENT – EDUCATIONAL |
| J | STATE/LOCAL GOVERNMENT – HOSPITAL |
| K | OTHER STATE/LOCAL GOVERNMENT |
| L | FOREIGN CONTRACTOR |
| M | DOMESTIC CONTRACTOR PERFORMING OUTSIDE U.S. |
| U | HISTORICALLY BLACK COLLEGE/UNIVERSITY OR MINORITY INSTITUTION (HBCU/MI) |

Currently, Type of Business codes are assigned by the contract officer tasked with filing the DD-350 or SF-279 transaction report. The actual code assigned may be based on information from the contractor, from previously assigned Type of Business codes for a particular contract or DUNS Number, or from information gathered from the Pro-Net and CCR contractor databases.

The aggregated dollar figures reported in the ICAR file's Transaction Amount field form the basis of all spending analysis in this study.

**Limitations of the ICAR Data**

The ICAR file includes reports from all major cabinet-level and independent agencies with appropriations authority and which are required to report procurement spending to the GSA. However, a number of federal and quasi-federal organizations issuing contracts are excluded from the ICAR reporting process: Congress and the Government Accounting Office; the Court System; the Federal Aviation Administration; the Tennessee Valley Authority; the U.S. Postal Service; The Federal Deposit Insurance Corporation; the International Monetary Fund and the World Bank; classified agencies like the Central Intelligence Agency and the National Security Agency. Although Eagle Eye publishes Postal Service and FAA contract databases, neither Postal Service nor FAA contract information was used in this analysis.

Credit card purchases are excluded from the ICAR file through FY 2003. Federal credit card spending totaled about $14 billion in FY 2002. Credit cards are most commonly used for small, open market purchases that fall under the $25,000 reporting threshold for the ICAR file. Records of this spending are reported separately by the GSA in highly aggregated databases, making them unusable for the purposes of this analysis.

Non-credit card purchases under $25,000 are also excluded from this analysis. These purchases are colloquially referred to as "281 purchases," named after the government's Form 281 used to report them. Through FY 2003 Form 281 data was reported separately by the GSA in highly aggregated totals that are marginally useful for research purposes.

Form 281 purchases totaled about $15 billion in FY 2002. Both Credit Card and Form 281 data will be included in the data reported under the GSA's new contract reporting system beginning

It should be noted that the ICAR file is a dynamic database. Contracts, companies and dollar totals can change as the GSA issues corrections, changes, additions and deletions to its historical information with each quarterly data release. The $50.8 billion small business spending figure cited in this study was the official total for FY 2002 as of September 2003.

**Assignment of the Eagle Eye Parent Company**

Critical to this analysis is the assignment of a Parent Company to the ICAR company records. This was done using Eagle Eye's master company lookup file and supplemental staff research. Parent Companies do not currently appear in the raw ICAR file.

Eagle Eye adds Parent Companies to the master data file in order to group related subsidiaries, divisions and alternately-spelled companies together under appropriately designated parent firms. Parent Companies are assigned based on Eagle Eye's determination of which entity is the majority owner of a company at the end of the indicated fiscal year. For the purposes of this study, Parent Companies were assigned based on Eagle Eye's determination of who the majority owner of a firm was as of September, 2002.

Individual, small business company listings often appear to fall within small business size standards when viewed individually in the ICAR file. However, when aggregated by parent company, these parent firms often exceed the SBA's size standards. Recognizing the true size of a parent firm is the main method used in this study to analyze small business records.

**Creating the Preliminary FY 2002 Small Business Ranking**

To calculate small business spending from the ICAR file for this study, Eagle Eye first selected all FY 2002 ICAR transaction records coded A or B in the ICAR Type of Business field from the master ICAR file maintained on our computer network. Code A is defined by the GSA as representing "Small, Minority-Owned Business" and Code B represents "All Other Small Business."[4]

With every small business transaction copied into a single file, this file was then merged with Eagle Eye's master Company Lookup File using the DUNS number as the linking field. Maintained continuously by Eagle Eye, the Company Lookup File contains up-to-date parent company assignments for every company DUNS number in the master ICAR file. Eagle Eye merged the two files and added a Parent Company assignment to every record in the core small business file.

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[4] U.S. General Services Administration, Type of Business Code Lookup Table (FPDC: Washington, DC), May, 2003.

Once the Parent Company assignment was made, Eagle Eye sorted, totaled and ranked just the officially-coded small business contract records by the newly assigned Parent Company Name. This process generated the "official" small business ranking for FY 2002. Eagle Eye then used these small business parent companies as a lookup table to go back into our master company file and identify all known DUNS numbers associated with these companies. We extracted these DUNS numbers into a new file and this, then, became the master company lookup file for extracting all relevant FY 2002 contract data used in this analysis.

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 DoD-assigned small business classifications for each of the Top 1000 contractors designated as small businesses. The official CCR and Pro-Net small business indicators helped to validate Eagle Eye's small business designations, described below.

**Assignment of Eagle Eye Small Business Classification**

For this analysis Eagle Eye developed a four-character Business Size Status coding scheme to identify small firms in the ICAR data that appeared to be coded correctly, questionably, or incorrectly. These codes include:

**Table 3: Eagle Eye Business Status**

| EE Status | Description |
|---|---|
| 1 | Likely Small Business |
| 2 | Partial Small Business |
| 3 | Likely Large Business |
| 4 | Other |

The Eagle Eye Small Business Codes did not replace the official Type of Business codes from the ICAR file. Rather, they were added as a separate "check field" to assess the accuracy of the officially-assigned Type of Business code.

Eagle Eye small business codes were assigned according to the following criteria:

**EE Size Status 1, Likely Small Business**: Eagle Eye performed three passes on the data. If, on the first pass, a parent company's small business revenues equaled 100 percent of the parent company revenues AND these revenues totaled less than $90 million (the highest three-year average, non-financial small business revenue threshold) these companies were coded as Likely Small Businesses. Secondly, if both the CCR and Pro-Net small business flags showed "Y" and total parent company revenues were less than $90 million, then these companies were also coded as Likely Small Businesses. Finally if 95 percent or more of a parent company's contract dollars were coded as Business Types A or B in the ICAR file AND they were coded as a small business in either the CCR or the Pro-Net databases, then these companies, too, were flagged as Likely Small Businesses.

**EE Size Status 2, Partial Small Business**: If between 1% and 95% of a parent company's total prime contract dollars were coded as Business Type A or B in the ICAR file, and no other business code was assigned, then this firm was considered a Partial Small Business and flagged for further research. Primarily because of multiple DUNS numbers that could not be confirmed in the CCR and Pro-Net databases, parts of approximately 60 companies that had been assigned EE Status 1 received a preliminary Status 2 assignment. These inconsistencies were resolved with additional internet research and phone calls.

**EE Size Status 3, Likely Large Business**: This code was only assigned to companies after Eagle Eye made direct contact with staff at these companies. The code was initially assigned to any company whose total parent company revenues exceeded $750 million, about 25% more revenue than the largest confirmed small business. Eagle Eye identified other likely large business indicators and flagged these firms for further research. Other Likely Large Business indicators included large revenue totals, a large percentage of total revenue showing as being awarded to a large firm and a lack of links between the firm and an active small business listing in either the CCR or Pro-Net small business databases.

**EE Size Status 4, Other**: This code was initially assigned to every firm showing more than 50% of its total parent company revenues being awarded under Business Types D-U. Final assignment was made following direct confirmation that the recipient vendor was neither a small nor a large business. The most common types of Other businesses include foreign entities, non-profit organizations and government agencies.

**The Central Contractor Registry**

The Central Contractor Registration (CCR) plays a supporting role in this study. The CCR is the primary vendor database for the Department of Defense (DoD), National Aeronautics and Space Administration (NASA), Department of Transportation (DoT), and Department of Treasury. The CCR collects, validates, stores and disseminates company-related data in support of agency missions.

Both current and potential government vendors are required to register in CCR in order to be awarded contracts by the DoD, NASA, DoT and Treasury. As part of the registration process, the CCR collects extensive company information, including:

- DUNS Numbers
- Company and contact names, addresses, phone numbers, fax numbers and e-mail addresses
- Socioeconomic information, including company size and ownership characteristics
- Billing and payment information

Eagle Eye used the DUNS number field to link the ICAR and CCR databases. This, then, enabled the extraction of the small business code assigned to each DUNS number in the

CCR. Eagle Eye compared a total of 26 different CCR small business codes to the ICAR Codes A and B. If the business size status indicator in the CCR showed a DUNS number as a small firm, Eagle Eye combined this evidence with the small business size indicators in the Pro-Net and ICAR files to assign the Eagle Eye small business flag.

**Pro-Net**

The SBA's Pro-Net small business file also plays a supporting role in this study. Pro-Net is an Internet-based database of information on more than 195,000 small, disadvantaged, 8(a), HUBZone, and woman-owned businesses. Through the Pro-Net system the SBA collects extensive information about the size and socioeconomic characteristics of all registered small businesses. Pro-Net is the government's largest data repository of exclusively small business information.

Eagle Eye downloaded the August 2003 version of the entire Pro-Net database and linked it to the master ICAR file on the common DUNS number field enabling Eagle Eye to add Pro-Net's Small Business Flag to the core contract transaction file. A "Y" in the Pro-Net Small Business field and a "Y" in the CCR Small Business field combined with company revenues falling under the largest small business revenue thresholds provided confirmation of a firm's small business status for the purposes of this analysis.

## Key Findings and Analysis

### Company Breakdown

A total of 44 parent companies flagged by Eagle Eye as Large (EE Status Code 3) or Other (EE Status Code 4) received a total of $2.0 billion worth of prime contracts coded as awarded to small firms in FY 2002. Overall, these firms received a total of $51.4 billion in prime contracts, or one out of every five prime contract dollars awarded in FY 2002. Of these 44 firms, Eagle Eye classifies 39 as Large and five as Other. The firms are listed in Table 4, below.

**Table 4: EE Status 3-4 Large and Other Companies Reporting**
**Small Business Prime Contract Revenues FY 2002**

| Parent Company | Small Bus Total | Parent Total | SB Rank | EE Status |
|---|---|---|---|---|
| **Large Firms** | | | | |
| TITAN CORP. | 539,907,273 | 1,142,847,396 | 1 | 3 |
| RAYTHEON CO. | 126,655,804 | 7,485,536,468 | 18 | 3 |
| BAE SYSTEMS | 119,750,000 | 1,485,944,241 | 21 | 3 |
| NORTHROP GRUMMAN CORP. | 100,164,181 | 12,384,923,456 | 34 | 3 |
| BUHRMANN NV | 98,799,232 | 107,609,232 | 35 | 3 |
| CACI INTERNATIONAL INC | 90,851,846 | 513,328,251 | 38 | 3 |
| PEROT SYSTEMS GOVERNMENT SVCS | 64,341,000 | 73,478,285 | 67 | 3 |
| ANTEON CORPORATION (VA) | 56,037,999 | 694,775,403 | 77 | 3 |
| L-3 COMMUNICATIONS CORP | 55,391,000 | 1,494,489,891 | 79 | 3 |
| VERIDIAN CORP. | 46,427,000 | 270,395,181 | 115 | 3 |
| CARLYLE GROUP | 34,362,000 | 2,173,581,728 | 177 | 3 |

| | | | | |
|---|---|---|---|---|
| COMPUTER SCIENCES CORP. | 32,665,000 | 4,021,161,612 | 191 | 3 |
| OMI CORP. | 32,650,000 | 102,929,000 | 192 | 3 |
| MANTECH INTERNATIONAL CORP | 29,821,828 | 346,367,636 | 219 | 3 |
| GENERAL DYNAMICS CORP. | 29,377,290 | 6,972,677,805 | 223 | 3 |
| SCIENCE APPLICATIONS INTL CORP | 25,594,723 | 3,478,059,868 | 277 | 3 |
| A C S | 24,273,915 | 643,417,540 | 303 | 3 |
| SRA INTERNATIONAL, INC. | 24,044,740 | 304,613,142 | 308 | 3 |
| PACIFIC ARCHITECTS & ENGINEERS | 22,433,000 | 68,594,000 | 338 | 3 |
| SMITHS GROUP PLC | 20,569,000 | 113,137,050 | 376 | 3 |
| WYLE LABORATORIES, INC. | 20,460,000 | 69,894,756 | 380 | 3 |
| BOOZ ALLEN HAMILTON INC. | 19,825,000 | 1,038,220,174 | 397 | 3 |
| KRUEGER INTERNATIONAL | 19,730,224 | 64,626,277 | 399 | 3 |
| ELECTRONIC DATA SYSTEMS CORP. | 18,978,000 | 1,076,338,245 | 417 | 3 |
| ARCHER-DANIELS-MIDLAND CO. | 18,740,325 | 215,526,230 | 425 | 3 |
| BATTELLE MEMORIAL INSTITUTE | 16,587,000 | 883,684,335 | 508 | 3 |
| HUNT BUILDING CORP. | 16,400,000 | 97,706,384 | 519 | 3 |
| BORO DEVELOPERS INC | 15,501,296 | 35,677,296 | 561 | 3 |
| PEARSON PLC | 13,969,000 | 155,002,041 | 627 | 3 |
| VERITAS CAPITAL INC | 12,645,000 | 487,689,073 | 717 | 3 |
| DELOITTE & TOUCHE LLP | 12,485,000 | 58,674,210 | 723 | 3 |
| CARDINAL HEALTH INC | 12,406,000 | 657,761,000 | 729 | 3 |
| ITT INDUSTRIES | 12,145,000 | 1,099,025,445 | 747 | 3 |
| HEWLETT-PACKARD CO. | 12,068,080 | 337,332,430 | 749 | 3 |
| ORACLE CORP. | 11,566,676 | 205,459,176 | 795 | 3 |
| PERKIN-ELMER CORP. | 11,454,624 | 60,476,855 | 804 | 3 |
| MACTEC, INC. | 11,382,000 | 52,466,949 | 807 | 3 |
| CORTEZ III SERVICE CORP | 10,192,000 | 32,843,000 | 928 | 3 |
| MANAGEMENT CONSULTING INC | 9,592,143 | 42,426,817 | 997 | 3 |
| **SB Subtotal, Group 3 Firms** | **1,850,244,199** | | | |
| **Other Firms** | | | | |
| CLASSIFIED DOMESTIC CONTRACTOR | 66,071,000 | 267,506,000 | 64 | 4 |
| Y W C A | 43,435,000 | 173,140,000 | 124 | 4 |
| U S DEPARTMENT OF THE TREASURY | 18,925,000 | 26,294,000 | 418 | 4 |
| TEXAS, STATE OF | 15,979,000 | 19,580,000 | 540 | 4 |
| UNIVERSITY OF GUAM | 12,653,000 | 347,941,000 | 715 | 4 |
| **Subtotal, Group 4 firms** | **157,063,000** | | | |
| **Total** | **2,007,307,199** | **51,383,158,878** | | |

Note: "Classified Domestic Contractor" designates a firm that performs classified work and that is based in the United States.

If just these 44 firms had been classified as large businesses or assigned to another Type of Business category, the $2 billion reduction in reported small business prime contract dollars would have reduced the reported small business dollars from $50.8 billion to $48.8 billion and lowered the small business share of FY 2002 procurement from 20.5 percent to 19.7 percent.[5]

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[5] The percentage of dollars designated for small business procurement is based on Eagle Eye estimates for FY 2002.

Approximately eight percent of the questionable dollars are assigned to firms classified by Eagle Eye as "Other." "Other" firms include a mixture of non-profit, classified and government organizations coded as small but whose links to small business, as indicated by their DUNS numbers, are unclear. These five organizations are included with the other 39 questionable firms because they are clearly not small businesses. Determining the reason for their inclusion in the database as small firms was beyond the scope of this study.[6]

**Agency Breakdown**

Further analysis of the Status 3 and 4 (Large and Other Business) awards reveals that the primary agency sources of the $2.0 billion are the Department of Defense (DoD) and the GSA, which together account for 79 percent of these funds. Table 5 below breaks the Top 1000 EE Status 3 and 4 awards out by agency.

**Table 5: Top 1000 Small Business EE Status 3-4 Dollars By Agency, FY 2002**

| Agency | EE Status 3-4 Total | Share |
|---|---|---|
| DEPARTMENT OF DEFENSE | 967,615,579 | 48.20% |
| GENERAL SERVICES ADMINISTRATION | 620,007,514 | 30.89% |
| HEALTH & HUMAN SERVICES | 57,945,000 | 2.89% |
| NATIONAL AERONAUTICS & SPACE ADMINISTRATION | 53,576,000 | 2.67% |
| DEPARTMENT OF TRANSPORTATION | 48,057,689 | 2.39% |
| DEPARTMENT OF JUSTICE | 46,132,744 | 2.30% |
| DEPARTMENT OF THE INTERIOR | 33,320,000 | 1.66% |
| DEPARTMENT OF STATE | 33,131,067 | 1.65% |
| DEPARTMENT OF AGRICULTURE | 32,976,116 | 1.64% |
| AGENCY FOR INTERNATIONAL DEVELOPMENT | 26,516,000 | 1.32% |
| DEPARTMENT OF VETERANS AFFAIRS | 21,748,000 | 1.08% |
| DEPARTMENT OF THE TREASURY | 18,693,000 | 0.93% |
| DEPARTMENT OF COMMERCE | 15,238,000 | 0.76% |
| ENVIRONMENTAL PROTECTION AGENCY | 8,940,740 | 0.45% |
| DEPARTMENT OF LABOR | 7,192,000 | 0.36% |
| DEPARTMENT OF ENERGY | 6,199,000 | 0.31% |
| HOUSING & URBAN DEVELOPMENT | 3,259,000 | 0.16% |
| DEPARTMENT OF EDUCATION | 2,107,750 | 0.11% |
| SOCIAL SECURITY ADMINISTRATION | 1,309,000 | 0.07% |
| SMALL BUSINESS ADMINISTRATION | 1,169,000 | 0.06% |
| U.S. INFORMATION AGENCY | 532,000 | 0.03% |
| NATIONAL ARCHIVES & RECORDS ADMINISTRATION | 481,000 | 0.02% |
| EXECUTIVE OFFICE OF THE PRESIDENT | 226,000 | 0.01% |
| PEACE CORPS | 205,000 | 0.01% |
| EQUAL EMPLOYMENT OPPORTUNITY COMMISSION | 203,000 | 0.01% |
| NATIONAL LABOR RELATIONS BOARD | 158,000 | 0.01% |
| SMITHSONIAN INSTITUTION | 131,000 | 0.01% |

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[6] Recent feedback from officials at the University of Guam on a different company ranking suggests these dollars are a likely GSA reporting error and that the University's contract dollar total may be overstated by a factor of 100.

| | | | |
|---|---|---|---|
| FEDERAL EMERGENCY MANAGEMENT AGENCY | | 72,000 | 0.00% |
| OFFICE OF PERSONNEL MANAGEMENT | | 70,000 | 0.00% |
| NATIONAL FOUNDATION ON THE ARTS & HUMANITIES | | 56,000 | 0.00% |
| NATIONAL SCIENCE FOUNDATION | | 40,000 | 0.00% |

**Kind of Contract Breakdown**

Statistics in Table 6 show that over 80 percent of the Eagle Eye Status 3 and 4 dollars were issued on some form of multiple award or IDIQ-type contract.  Together, GSA Schedules (Code G) and Multiple Award Contracts (Code L) accounted for 45 percent of these dollars, while Indefinite Delivery/Indefinite Quantity (ID/IQ) contracts and their modifications added another 36 percent.

Table 6 links the problem of nondisclosure of small GSA Schedule awards to two administrative problems.  The first is that if the GSA assigns small business status to a firm when it initially awards a GSA Schedule contract, it considers the firm to be small for the duration of its GSA schedule (a maximum of five years). If the small firm is acquired by a large firm during this five-year period, the GSA still considers the firm to be small.

**Table 6: FY 2002 EE Status 3-4 Top 1000 Small Business Dollars**
**Broken Out By Kind of Contract**

| Code | Description | Total $ | Share |
|---|---|---|---|
| G | ORDER/MODIFICATION UNDER FEDERAL SCHEDULE | $721,812,153 | 35.96 |
| H | MODIFICATION | $441,549,861 | 22 |
| E | ORDER UNDER INDEFINITE DELIVERY CONTRACT (IDC) | $282,262,216 | 14.06 |
| L | ORDER UNDER MULTIPLE AWARD CONTRACT | $183,771,246 | 9.16 |
| C | NEW DEFINITIVE CONTRACT | $169,862,000 | 8.46 |
| D | SMALL PURCHASE PROCEDURE | $108,576,723 | 5.41 |
| F | ORDER UNDER BASIC ORDERING AGREEMENT (BOA) | $100,041,000 | 4.98 |
| B | DEFINITIVE CONTRACT SUPERSEDING LETTER CONTRACT | $1,054,000 | 0.05 |
| A | INITIAL LETTER CONTRACT | $479,000 | 0.02 |
| K | TERMINATION FOR CONVENIENCE | -$2,101,000 | -0.1 |

The second problem Table 6 brings out is that the vast majority of awards to small firms under GSA Schedule and IDIQ contracts go unannounced on the federal government's FedBizOpps procurement web site.  As a result of this lack of transparency, many awards that should be reserved for small firms, like Simplified Acquisitions, go to large firms un-challenged.

Still another problem is the amount of 8(a) dollars being received by these same large firms.  A total of 32 EE Status 3-4 firms reporting receiving $464.5 million in 8(a) set-aside awards (SDB Code = A) during FY 2002.  No EE Status 3-4 firms reported receiving any SDB set-aside dollars during the same fiscal year.

**Beyond the Top 1000**

A larger problem potentially looms when companies coded as small and falling below the Top 1000 small firms are considered. The other 55,112 consolidated parent companies reported receiving $23.2 billion in small business prime contract dollars and a total of $98.5 billion in spending coded as Large, Foreign, Domestic Performing Overseas and other Type of Business categories.

## Conclusion

Small business coding problems in the ICAR file appear to be driven by a number of factors, including:

- **Erroneous company size or type codes assigned by contract officers:** telephone calls by Eagle Eye to firms with multiple business type designations found many instances of coding inconsistencies for the same company, with no apparent explanation.
- **Large firms acquiring small firms during the fiscal year:** vendor consolidation has accelerated in recent years, yet changes in parent company affiliations recognized by agencies appear to lag considerably.
- **Small business designations linked to GSA Schedule contracts remaining unchanged through the five-year term of a company's GSA Schedule contract, or small firms growing out of some but not all of their size standards during the fiscal year:** A company can grow out of their size standard or be acquired by a large firm and still be considered small as they receive a growing stream of awards on GSA and multiple award-type contracts.
- **Firms designating all revenues as small business revenues when the firm is qualified as small in just one or a small number of NAICS categories**: if a firm maintains small business status in one NAICS size standard, should all dollar awards to this firm be considered small business awards?
- **Incorrectly assigned parent company affiliations:** information supplied to contract officials, whether by companies or through commercial lookup tables, appears unreliable and not up-to-date.
- **Unreported GSA Schedule and Multiple Award Contract awards:** the reduction in procurement reporting requirements has led to fewer award challenges on the basis of company size, permitting a growing number of large firms to receive small business awards.

The inconsistent small business data highlighted in this brief overview suggests that:

- Federal policy makers need to review and streamline agency policies for designating vendors as small businesses.
- Contract officers need clear and consistent guidance for identifying small vendors as they fill out various contract reports
- Database update procedures must be reviewed to insure that data drawn from the government's official vendor data repository, the Central Contract Registry (CCR), is always current and accurate

- The GSA's FPDC data (now called Federal Procurement Data Systems – Next Generation, or FPDS-NG) needs to report contract awards in a more timely manner to enable public challenges to contract awardee size designations within the time frame allotted for post-award size protests.
- Access to timely procurement data would benefit post-award challenges to vendors' claims of small business size. Timely data would also assist the SBA and other agency small business officials in reviewing small business size.

The results of this analysis suggest that inaccurate small business coding among the Top 1000 acknowledged small vendors caused small business procurement in FY 2002 to be overstated by $2 billion. Procurement coding patterns among small businesses falling below the 1,000[th] position suggest significant problems exist in this group of companies as well.