



News Release

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Washington Post Confirms SBA Contracting Numbers

WASHINGTON – Today The Washington Post reported that in 2007, \$5 billion of federal contracts coded as having gone to small businesses actually went to large companies. This finding confirms the U.S. Small Business Administration’s long-stated assessment of the relative size of the large business/small business contracting issue and refutes claims that a much larger sum goes to large companies. In 2006, SBA’s own analysis of contracting found \$4.6 billion in miscodes.

The Post reviewed FY 2007 contracts in the General Services Administration’s Federal Procurement Database System-Next Generation that were counted toward federal agencies’ small business contracting goals. In 2007, \$83.2 billion in federal prime contracts went to small business, a significant increase from \$77.7 billion in 2006. In 2001, the total number of federal small business contracts was \$50 billion.

“While we haven’t had a chance to review The Post’s analysis in detail, in general, the findings confirm SBA’s analysis,” said Acting SBA Administrator Sandy K. Baruah. “Transparency is the best medicine and SBA welcomes public scrutiny to help identify errors in the government’s database.”

Baruah noted that the 2007 miscode number was likely higher than it would be in subsequent years as SBA’s recertification rule to address the issue took effect in summer 2007. This rule requires small businesses with federal contracts to recertify their size if they merged or were acquired, and to recertify their size a minimum of every five years on contracts longer than five years. In some cases, businesses have won contracts when they were small, but then grew, merged, or were acquired by large firms and were still recorded as small businesses. The agency estimates that at least \$10 billion in incorrectly coded small business contracts will be cut from federal roles in the near as a result of the new rule.

Baruah also noted that The Post confirmed SBA’s judgment that large companies were listed as small business due to miscodings in the government-wide database, which in 2007 was more than six million individual contract actions recorded across the federal government.

This conclusion was bolstered last summer by the Department of the Interior’s Inspector General which found contracting officer coding errors were the primary reason large companies listed were listed as holding small business contracts.

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“The main reasons contracts to large businesses have been incorrectly coded as small business contracts relate to data entry mistakes, reliance on incorrect data, and a failure on the part of contracting officials to verify business size reported in Central Contract Registration,” the report said. See: http://www.sba.gov/idc/groups/public/documents/sba_homepage/press_release_08-67-a.pdf

Baruah also noted that since 2006, SBA and the Bush Administration have made several major reforms which are improving the small business contracting system:

- Clean Data – In conjunction with the Office of Federal Procurement Policy, ordered the federal contracting database scrubbed last year to bring much greater integrity to the data. This removed \$4.6 billion from the contract database.
http://www.sba.gov/idc/groups/public/documents/sba_homepage/news_06-61.pdf
- Recertification – SBA tightened the definition of small business in the federal database. We estimate an additional \$5 billion-\$10 billion will be removed this year and that with these steps, the quality of data will increase measurably over time.
http://www.sba.gov/idc/groups/public/documents/sba_homepage/serv_monnews_0740.pdf
- Scorecard – Last year SBA inaugurated an important tool to hold agencies publicly accountable for their small business contracting achievements. This public scrutiny has greatly improved SBA's ability to improve small business contracting.
http://www.sba.gov/idc/groups/public/documents/sba_homepage/sba_news_07-51.pdf
- Public data – As mentioned, the data on all contracts has long been open to the public. However, new Web resources such as usaspending.gov further improve the public's visibility into the matter. Additionally, SBA provides a snapshot of the small business data annually through its Goaling Report.
http://www.sba.gov/idc/groups/public/documents/sba_homepage/sba_news_07-51.pdf
- The Office of Federal Procurement Policy issued guidance to the federal acquisition community requiring that they establish and document procedures for validation and verification of contracting data contained in the Federal Procurement Data System-Next Generation, and that they attest to the data each year.

“The Post's report, taken along with other credible analyses, should lay to rest once and for all the unsubstantiated or uninformed claim that scores of billions in small business contracts is purposely diverted to large businesses,” Baruah said.

For more on SBA's contracting reforms, see:

http://www.sba.gov/idc/groups/public/documents/sba_homepage/calvin_jenkins_commentary.pdf

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