

Commentary: Improving SBA data  
By CALVIN JENKINS  
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One of the Small Business Administration's core functions is to help small businesses obtain government contracts and assist agencies in meeting small-business contracting goals. Two years ago, SBA reviewed government contracting programs, which have grown from \$182 billion in 1998 to nearly \$400 billion today, and then took aggressive steps to ensure these programs work effectively.

The first key reform was to improve the quality and integrity of small-business data in the government's contracting information system. As part of a review of more than 11 million contract actions, SBA found instances of nonprofits, state or local governments, and large companies being recorded erroneously as small businesses. To correct this, SBA, in conjunction with the Office of Federal Procurement Policy at the Office of Management and Budget, ordered the federal contracting database to be scrubbed in 2006. This directive removed \$4.6 billion worth of contracts that had been mistakenly entered into the database as small-business contracts.

The second reform was to ensure that businesses coded as small businesses in the federal contracting database met the definition of a small business. In some cases, businesses won contracts when they were small, but during the life of the contract, they grew, merged with other businesses or were acquired by large firms. These firms were still being recorded as small businesses and were counted toward small-business contracting goals. So last year, SBA issued a first-of-its-kind rule requiring any small business with a federal contract to recertify its size if it merged or was acquired and to recertify its size a minimum of every five years on a contract longer than five years. If the company is no longer small, the contract continues, but the federal government can no longer count it as a small-business contract. SBA estimates an additional \$5 billion to \$10 billion worth of contracts will be removed from the small-business category this year due to the recertification rules.

Finally, in August 2007 SBA published the first public contracting scorecard measuring agencies' progress in making contracting opportunities available to small businesses, in improving the accuracy of small-business contracting data, and in enabling the public to assess agencies' performance in meeting these goals. The second annual contracting scorecard will be released soon.

How does SBA know it is making progress in government contracting? The biggest indicator is that small businesses are obtaining a record level of federal contracts. In fiscal 2007, small businesses obtained approximately \$83 billion worth of federal contracts, an increase of \$6 billion from the previous year.

This increase occurred despite the fact that the reforms help make it more challenging for agencies to meet their small-business goals. In fact, the reforms are part of the reason that the government, for the past two years, has just missed its goal to award 23 percent of contracts to small businesses. In fiscal 2006, it fell short of that goal by just 0.2 of a percentage point, and in fiscal 2007, it fell short by 1 percentage point. For its part, SBA exceeded its 2007 contracting goal, awarding approximately 69 percent of contracts to small businesses.

With an average of 6 million contracting actions each year, miscodings and errors will not be eliminated from the federal contracting database. A number of factors contribute to coding errors, such as a contracting officer checking the wrong box or a small business failing to recertify itself after it is purchased by a large firm. An error rate of just 1 percent — a very low threshold for any organization — means 60,000 errors. But as a result of SBA's reforms, we have a more accurate, transparent, accountable contracting system that is helping small businesses to capture a bigger piece of the \$400 billion federal marketplace than ever before.

*Calvin Jenkins is acting associate administrator for the Small Business Administration's Office of Government Contracting and Business Development.*