

HENRY C. "HANK" JOHNSON, JR.
4TH DISTRICT, GEORGIA

COMMITTEES:

JUDICIARY

ARMED SERVICES

TRANSPORTATION & INFRASTRUCTURE

Congress of the United States
House of Representatives
Washington, DC 20515-1004

SUBCOMMITTEES:

CHAIRMAN,
COURTS AND COMPETITION POLICY

CONSTITUTION, CIVIL RIGHTS, AND
CIVIL LIBERTIES

COMMERCIAL AND ADMINISTRATIVE LAW

READINESS

MILITARY PERSONNEL

ECONOMIC DEVELOPMENT, PUBLIC
BUILDINGS AND EMERGENCY MANAGEMENT

WATER RESOURCES AND ENVIRONMENT

January 24, 2011

Ms. Karen G. Mills
Administrator
The U.S. Small Business Administration
409 3rd St. SW
Washington, DC 20416

Dear Administrator Mills,

As the U.S. Small Business Administration (SBA) pursues its goal of ensuring that 23% of government-wide contracts are awarded to small businesses, as stated in the Small Business Act, I would like to bring to your attention a 2005 report by the SBA Inspector General titled Large Businesses Receive Small Business Awards. The report makes clear that publicly traded large businesses received contracts designated for small businesses. It also states that federal agencies counted these awards toward their 23% small business contracting goals. I believe that we must do all we can to spur small business growth during the current economic recession and am concerned that awarding contracts to large or publicly traded companies will have detrimental effects on small business expansion and job creation. Please assist me to remedy the unfair business climate that this practice perpetuates.

A 2004 report from the SBA Office of Advocacy identified 4.4% of the top 1,000 small business contractors as large firms. These firms received contracts worth over \$2 billion and should have been counted as large businesses. By awarding small business contracts to these large firms, the overall share of small business procurement was reduced to 19.7%, which falls well short of the 23% government-wide small business contracting goal. Although some contract misallocations may be attributed to errors by contracting personnel, including lack of familiarity with contracting procedure and the size self-certification requirements for businesses, a reoccurring problem has been found with size certifications on multi-year contracts. While all contract recipients certify their size when they initially respond to a solicitation, they are not required to re-certify during the subsequent years of a multi-year contract, which may last up to 20 years.

As the federal advocate for small businesses, the SBA should strive to ensure that only small firms obtain small business contracts and agencies only receive credit for awarding small business contracts to bona fide small businesses. Large companies including Blackwater, Deloitte, and Pitney Bowes, which are publicly traded and have employment rolls that exceed the guidelines put forth by the SBA to qualify as a small business, should not be counted as small business contractors. Since 2003, numerous federal investigations have found that billions of dollars in small business contracts have been erroneously awarded to publicly traded large

WASHINGTON OFFICE
1133 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
PHONE (202) 225-1605
FAX (202) 226-0691

SOUTH DISTRICT OFFICE
5700 HILLANDALE DRIVE, SUITE 110
LITHONIA, GA 30058
PHONE (770) 987-2291
FAX (770) 987-8721

NORTH DISTRICT OFFICE
3469 LAWRENCEVILLE HIGHWAY, SUITE 205
TUCKER, GA 30084
PHONE (770) 939-2016
FAX (770) 939-3753

businesses. I am deeply concerned about this practice, which deprives small businesses of billions of dollars in federal contracts, misleads federal agencies in their annual reporting requirements, and severely hampers job creation and economic growth.

I urge you to establish greater means of transparency in the size self-certification process and to increase accountability for large, publicly traded, businesses that have previously misrepresented themselves as small businesses to receive small business contracts.

Sincerely,



Hank Johnson
Member of Congress