

**Testimony
of
Margot Dorfman, CEO
U.S. Women's Chamber of Commerce**

**Before the House Small Business Committee
Subcommittee on Contracting and Technology**

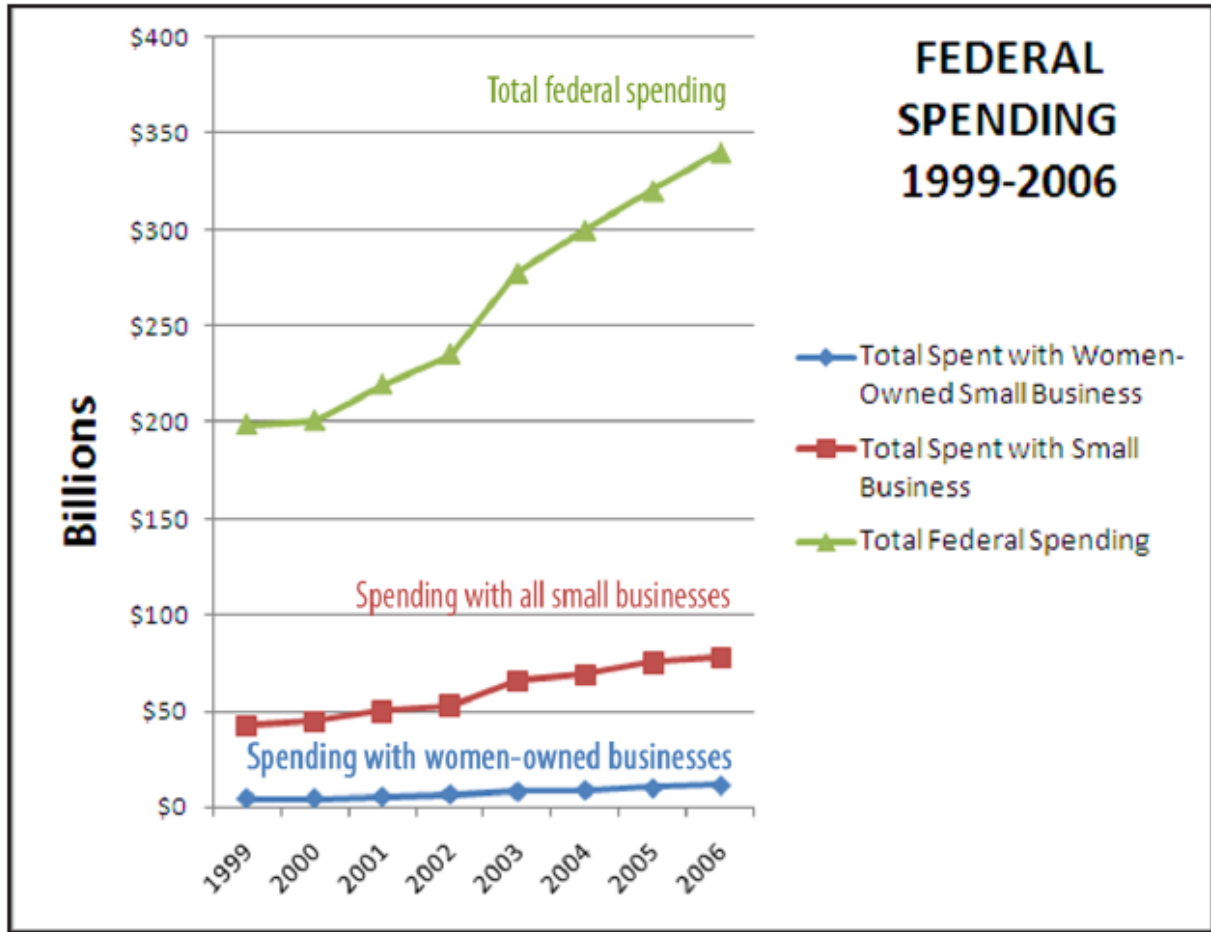
**Hearing on Ensuring Small Businesses Have
Fair Access to Federal Contracts
April 16, 2008**

Chairman Braley, Ranking Member Davis, and Members of the Subcommittee on Contracting and Technology, my name is Margot Dorfman and I am the CEO of the U.S. Women's Chamber of Commerce (www.uswcc.org). I am here today on behalf of millions of American women business owners to make you aware of serious issues in the reporting of federal contracting with women-owned small businesses, the large number of contract actions falsely attributed to the women-owned small business category in the Federal Procurement Data System, and the lack of analysis of women-owned small business contracts and contractors.

I have spoken many times to this committee about the ongoing failure of the federal government to provide women-owned small businesses with fair access to federal contracts and the failure of the Small Business Administration to act authentically and proactively towards the fulfillment of their mission.

Today, I will illuminate how the failures of the SBA cause false contracting data to be reported and fail to provide this committee and the American people with a true picture of federal contracting with women-owned firms. Let me begin with a chart that shows the tremendous growth in federal contracting between 1999 and 2006 vs. the incredibly small growth in contracting with women-owned firms during the same period.

Government Spending Soars – But Not For Women-Owned Firms



While total federal spending grew from approximately \$200B in 1999 to over \$340B in 2006 – an increase of \$140B, federal spending with women-owned small businesses grew from only \$4.6B to \$11.6B – an increase of only \$5B.

If ever there was a time for the federal government to finally fulfill its promise to women to assure fair access to federal contracts – the period between 1999 and 2006 was the time. \$140B in new spending, and the federal government still could not meet its pitiful five percent, decade old goal for contracting with women. Instead, as the total number of women-owned businesses in America grew at a record-breaking rate and federal spending grew dramatically, our relative share of federal contracting participation continued to grow at a snail's pace.

Lack of Accuracy in Reporting of Contract Actions

This brings me to the very serious issue of reporting contract actions with women-owned firms. Over recent years, the SBA has failed to make certain that even the most significant contract actions and contractors are accurately attributed as women-owned firms.

As contracts are awarded, contract actions are recorded in the Federal Procurement Data System (FPDS). This data is used by the SBA to create annual goaling reports that provide us with information on federal purchasing such as total contract actions and total dollars spent. Using data from the FPDS (which is now readily available to the public through the new government transparency website – www.usaspending.gov), one can easily generate a report listing the largest contractors to which “women-owned small business” actions have been attributed.

In 2006, the top one hundred contractors with actions flagged as “women-owned” represented over \$5B of the total \$11.6B that the SBA claims was spent with women-owned small businesses. By simply making a careful analysis of these top one hundred contractors, the SBA could go a long way towards assuring the accuracy of their own reporting.

Unfortunately, it is clear that the SBA did not carefully peruse even these largest contractors and take action to assure that the FPDS accurately reflect the women-owned business status of these companies. With just a cursory look through the list of firms and the associated transactions, their CCR registrations, their “small business” NAICS code designations, and their company websites, it is clear that this list is shockingly full of businesses that are either not small, not authenticated as “women-owned” in CCR, or clearly should not qualify as women-owned as their company’s CEO’s are not women.

SUGGESTION NUMBER ONE: Require the SBA to provide an annual report on the top one hundred firms with contract actions attributed as “women-owned small business.” Simply require the SBA to confirm these businesses are in fact small, that the NAICS codes attributed to these actions are small for the firm in question, that they are appropriately designated in CCR as women-owned, and that their firms meet a simple but valid litmus test for women’s business ownership.

Lack of Clarity and Authentication in Claiming Women-Owned Small Business Status

As we perused the CCR and ORCA (Online Representations and Certifications Application) systems looking at how “women-owned” status is designated and how the business owner provides their representations and certifications to contracting officers, we found that the ability to assert women-owned status is far too simple and lacks clarity with regard to how one determines “women-owned” status.

ORCA simply reiterates the FAR definition of “women-owned” with no further assistance or differentiation that might prevent some of the overt misrepresentations we found in the data. For example, the FAR definition of women-owned as detailed in ORCA is as follows:

“Women-owned business concern,” as used in this provision, means a concern that is at least 51 percent owned by one or more women; or in the case of any publicly owned business, at least 51 percent of its stock is owned by one or more women; and whose management and daily business operations are controlled by one or more women.

CCR and ORCA allow firms to “self-certify” that they are *owned, operated, and controlled by one or more women*. But, what does this mean? If a man is the CEO of the firm, can it possibly be attributed as women-owned? If a man and woman found a business together, and simply establish 51 percent ownership for the woman, can it be asserted that the woman owns, operates and controls the business? If the SBA never bothers to check even the top one hundred contractors receiving the attribution of women-owned, can we trust what is reported towards annual women-owned small business goals?

SUGGESTION NUMBER TWO: Include more detail in the FAR, in CCR and in ORCA regarding the definition of a women-owned business concern. Include a simple checklist of attributes that force the corporation registering as women-owned to make clear it understands the elements of the women-owned definition and meets, at least, the most cursory of requirements. And, be very aware that even when we do finally have an appropriately implemented women-owned small business set-aside program, there may be a difference in how a business secures women-owned status for the purpose of the set-aside and for the purpose of registering in CCR. We must make sure that this loop hole is closed in both places.

Lack of Detailed Reporting and Analysis of Women-Owned and Small Business Contracting

In 2005 the SBA commissioned a report from the National Research Council entitled, “*Analyzing Information on Women-Owned Small Businesses in Federal Contracting.*” This was the study of the study secured by the SBA in order to implement the Women’s Federal Procurement Program. The SBA placed great emphasis on the need for this report from the NRC, and then chose to ignore most of the NRC’s recommendations.

A strong recommendation from this report was to, “Produce More Useful Reports on Federal Contracting.” The NRC report states, “The SBA Office of Advocacy has a program of regular reports and analyses on small businesses and their contributions to the economy and has worked to develop data files for such analysis. However, the SBA does not sponsor regular reports that would inform Congress, other interested parties, and the public about trends in federal contracting disaggregated by such characteristics as type and size of business, agency, and region. It annually publishes goals for the use of various types of small businesses in federal contracting, but it does not regularly publish tabulations or analyses related to contracting even though federal contracts are an important source of business for many small firms.”

SUGGESTION NUMBER THREE: Heed the advice of the NRC and require the SBA to provide a more thorough analysis of small business contracting to include such characteristics as type and size of business, thorough agency contracting breakouts, and regional breakouts. How many unique contractors are used by each agency and in each business-type? How many unique contractors are participating in the federal contracting system from each state? How many new contractors were used or lost in each fiscal year and by each agency? This is the type of data regularly gathered and analyzed in the commercial marketplace and can absolutely be provided through the straightforward creation of reports from existing tables within the FPDS system.

Accountability, Transparency, and Useful Reporting Will Help Assure Small Businesses Have Fair Access to Federal Contracts

Each year, the SBA publishes the total dollars spent and the total transactions completed with women-owned firms. However, no further analysis is presented. Never does this committee, or the American public, have the opportunity to understand the total number of women-owned small businesses receiving contracts, the size of these contracts, the geographic disbursement, the number of new firms receiving contracts, the dollars flowing through joint ventures, the top one hundred women-owned contractors, or similar data relative to each of the major agencies purchasing with women-owned firms. We also never learn how many new small businesses register in CCR, how many small businesses have dropped their CCR registration, or how many total small businesses are receiving federal contracts.

Even with all the tools now at our disposal to establish transparency in federal government contracting – and readily at the disposal of the SBA, the SBA only publishes the total dollars spent and the total number of contract actions. It seems the SBA, as the champion of small business opportunity in America, should be driving for greater transparency in federal contracting and helping this committee and the American people to better understand the depth and breadth of small business and women-owned business participation in federal contracting.

I strongly urge you to take action to require deeper accountability, transparency and useful reporting from the SBA. The information gleaned from these actions will most certainly assist in the efforts to assure that small businesses have fair access to federal contracts.

Thank you.