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SBA Sticks to Miscoding to Explain Small Business Contracts to Fortune 500 Firms

Petaluma, Calif. – The following is a statement by the American Small Business League:

For the fifth consecutive year the Small Business Administration has cited miscoding as one of the primary reasons for the diversion of billions of dollars in federal small business contracts to some of the nation's largest defense contractors.

During an SBA hosted teleconference on Friday, August 17th, SBA Administrator Steven Preston told journalists that miscoding was still a problem and that miscoding was the main reason that large firms such as Lockheed Martin were still receiving federal small business contracts. Other firms receiving federal small business contracts include Halliburton, Raytheon, Northrop Grumman, SAIC, and General Dynamics.

The SBA began to cite miscoding as a reason for the diversion of federal small business contracts to Fortune 500 firms beginning in 2002. Yet, in the last five years the SBA has been unable to explain why miscoding, which should be a random occurrence, tends to happen only in situations involving contracts to large companies miscoded as small business contract awards and not as large business contract awards to small companies.

In addition to the miscoding, Administrator Preston claimed that "old regs" were another problem which allows large businesses to receive federal small business contracts and acknowledged that in previous years small business contracting numbers posted by the Bush Administration did contain awards to Fortune 500 companies because of these old regulations. However, Preston failed to mention that the old regulations that have allowed the federal government to report awards to large businesses as small businesses contract awards were written by the federal government and coauthored by the SBA and the Office of Management and Budget.

Since 2002, there have been more than a dozen federal investigations that offered more plausible explanations as to why the world's largest defense contractors have received federal small business contracts. A report from the SBA Office of Advocacy found fraud in the form of vendor deception, the SBA Office of Inspector General found fraud in Report 5-16, and in Report 5-14 found that the SBA itself was reporting awards to large businesses as small business awards.

In the teleconference, Preston also announced that of the 24 federal agencies only half achieved their small business contracting goal. Additionally, he announced that the government had adjusted the total amount of small business contracts awarded to legitimate small businesses for FY 2005 by reducing the previous total by \$4.6 billion.

“The SBA has had 10 months to review this data and for them to come out and say that there is still miscoding is unacceptable.” President of the ASBL, Lloyd Chapman said. “After 5 years, it is an insult to the intelligence of every American and every member of Congress, that the SBA thinks that people still believe that billions of dollars a year in awards to some of the nation’s largest defense contractors are the result of random data entry errors. It is absurd and ridiculous. Members of Congress called previous SBA Administrator Hector Barretto dishonest and I think that Preston is following in his footsteps.”

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