



Highlights of [GAO-03-704T](#), testimony before the Committee on Small Business, House of Representatives

Why GAO Did This Study

According to information in the Federal Procurement Data System (FPDS), in fiscal year 2001, small businesses received approximately 23 percent of federal contract dollars awarded. However, concerns have been raised that large companies are receiving federal contracts intended for small businesses.

What GAO Recommends

We have not made recommendations in this testimony. However, we note the need for accurate and consistent data on companies' business size in order to reliably report small business contract awards. Accordingly, we believe a coordinated effort between agencies is necessary to ensure that accurate and reliable small business data is reported.

CONTRACT MANAGEMENT

Reporting of Small Business Contract Awards Does Not Reflect Current Business Size

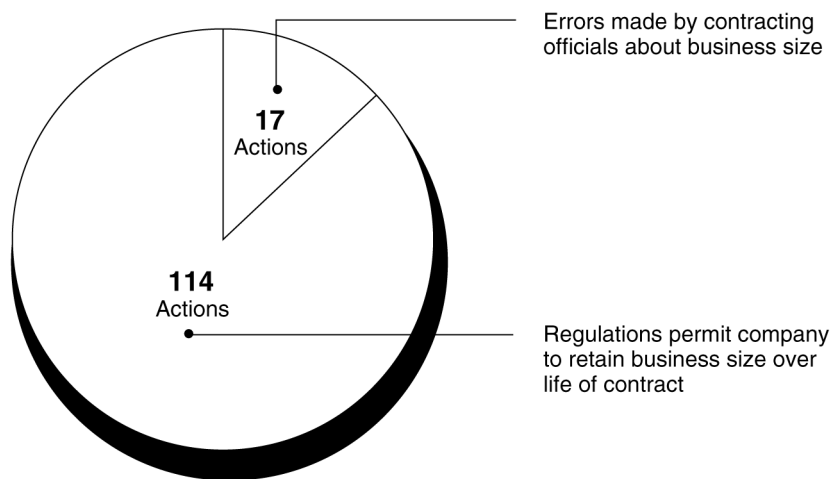
What GAO Found

According to FPDS, five large companies that we reviewed received contracts totaling \$1.1 billion in fiscal year 2001, including \$460 million as small business awards. To understand why awards to these large companies were listed in FPDS as small business awards, we focused our review on 131 individual contract actions awarded to these companies by four federal buying activities.

The predominant cause for the misreporting of small business achievements is that federal regulations generally permit a company to be considered as a small business over the life of the contract—even if they have grown into a large business, merged with another company, or been acquired by a large business. In today's federal contracting environment, contracts can extend up to 20 years. In addition, agencies relied on various databases containing inaccurate information on current business size.

The General Services Administration, the Office of Federal Procurement Policy, and the Small Business Administration have taken or proposed a number of actions aimed at requiring small businesses to re-certify and not retain their small business status for the life of the contract. While these proposals do not directly address the database problems we identified at the four federal buying activities, there are a number of initiatives under way designed to improve federal contract databases.

Large Companies' Contracts Reported as Small Business Awards



Source: GAO.

www.gao.gov/cgi-bin/getrpt?GAO-03-704T.

To view the full report, including the scope and methodology, click on the link above. For more information, contact David Cooper at (617) 788-0555 or cooperd@gao.gov.