



**Opening Statement of  
Chairman Mike Coffman  
House Committee on Small Business Subcommittee on Investigations, Oversight and  
Regulations  
Hearing “Misrepresentation and Fraud: Bad Actors in the Small Business Procurement  
Program”  
October 27, 2011**

Good morning. I call the Subcommittee to order.

The federal government has a goal of awarding 23 percent of prime contract dollars to small businesses, and subgoals for the HUBZone, Women-Owned, Service-Disabled Veteran-Owned and Small Disadvantaged small businesses. Congress created these programs out of a belief that small business contracting benefits us all. Small business contracting reduces prices by encouraging competition, promotes innovation, strengthens the industrial base, and creates jobs. These programs do create real opportunities – last year, the small businesses won over \$109 billion in prime contracts, which is about 20.3 percent of the \$538 billion in prime contracts awarded that year.

However, just as we all benefit from small business prime contracting, we all suffer when fraud rears its ugly head. Legitimate small businesses lose the ability to perform when contracts go to firms that do not qualify for, or who are not following the rules associated with, small business contracting program. The government suffers from this fraud because bad actors give all small businesses a bad name, so contracting officers are more reluctant to use the small business programs, which in turn results in less competition and a less vibrant industrial base. Finally, the American people suffer. Small businesses create two out of every three new jobs, so when contracts go to false small businesses, fewer jobs are created.

We are here today to learn about the depth and scope of fraud in the small business programs, and how we can better ensure compliance. One need only pick up a newspaper to read about scandals in the procurement system. Inspector General and Government Accountability Office reports enumerate the lack of controls and oversight in these programs, and the resultant abuse of the programs. Sadly, fraud in the small business program often seems to go unpunished and unprosecuted.

We have with us today the Inspectors General from the Small Business Administration, which is charged with maintaining the integrity of the small business programs, and the General Services Administration, which has contracting as its primary mission. Given their expertise, I believe they will help us understand how we can do a better job protecting opportunities for legitimate small businesses by catching and prosecuting those that seek to exploit the programs.

I now yield to the Ranking Member for his opening remarks.