



**U.S. Small Business Administration  
Washington, D.C. 20416**

**TESTIMONY of**

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**Committee on Small Business  
Subcommittee on Investigations, Oversight, and Regulations**

**&**

**House Veterans Affairs  
Subcommittee on Oversight and Investigations**

*Manipulation and Fraud in the Reporting of VA Small Business Goals*

**Tuesday, June 23, 2015**

Chairmen Coffman and Hardy, Ranking Members Kuster and Adams, and members of the Subcommittees, I am honored to be here today to discuss SBA's methodology as it pertains to setting goals for and reporting on the small business procurement performance of federal agencies.

As you know, the Small Business Act (P. L. 85-536, as amended) tasks the Federal Government with awarding at least 23 percent of federal contracting dollars to small businesses. Goals have also been established for awards to Small Disadvantaged Businesses (SDBs) of 5 percent; Woman-Owned Small Businesses (WOSBs) of 5 percent; Service-Disabled Veteran-Owned Small Businesses (SDVOSBs) of 3 percent; and firms located in Historically Underutilized Business Zones (HUBZone firms) of 3 percent. The U. S. Small Business Administration (SBA) is responsible for annually reporting on the federal government's performance toward these goals and does so via its Small Business Procurement Scorecard.

The Small Business Procurement Scorecard (Scorecard) for Fiscal Year 2013 revealed that for the first time since 2005, the Federal Government met the 23 percent goal for prime contracting dollars awarded to small businesses, with 23.39 percent of all federal small business eligible dollars being awarded to small businesses. Additionally, the Federal Government exceeded the 5 percent goal for SDBs and also met the 3 percent goal for SDVOSBs. These achievements represent a dedication across government to improving small business access to the many opportunities available within the federal supply chain.

The grading associated with the Scorecard follows a publically available methodology, which can be found in the "Contracting" section of [www.sba.gov](http://www.sba.gov).<sup>1</sup> Each federal agency has a different small business prime contracting goal which is negotiated with the SBA. When negotiating agency small business prime contracting goals, SBA considers each agency's past small business performance and the small business opportunity available by specific industry. SBA ensures that the sum of all agencies' goals exceeds the 23 percent target established by law. Although the small business prime contracting goals negotiated with SBA differ for each agency for the reasons described above, every agency has the same goals for prime contract spending with the socioeconomic subcategories. For example, each agency has a 5 percent goal for prime contracting dollars awarded to WOSBs.

The overall Scorecard grade is based on three categories: prime contracting, which is 80% of the overall grade; subcontracting, which is 10% of the overall grade; and seven success factors, which are 10% of the overall grade. These categories are combined to yield a letter grade for each agency as well as for the Federal Government on the government-wide Scorecard.

The government-wide Scorecard and each individual agency's prime contracting score are based on information pulled from the Federal Procurement Data System-Next Generation (FPDS-NG). FPDS-NG is a web-based tool for all agencies to report contract actions. This system is maintained by the General Services Administration (GSA), and governed by an interagency council on which SBA is a nonvoting member. The Federal Acquisition Regulation

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<sup>1</sup> [https://www.sba.gov/sites/default/files/files/Scorecard-Grade-Calculation-Methodology-FY13\\_FINAL\\_2014-06-04.pdf](https://www.sba.gov/sites/default/files/files/Scorecard-Grade-Calculation-Methodology-FY13_FINAL_2014-06-04.pdf)

(FAR) provides agencies with guidance on the data that is entered into FPDS-NG, and each Agency is responsible for inputting its own data and ensuring its accuracy. The FAR (4.604) also requires each agency to certify to GSA and the Office of Management and Budget (OMB) that the data it has entered into FPDS is complete and accurate. After agencies certify their data, GSA provides SBA with an extract of data from FPDS-NG to use in formulating the Scorecard. The information for subcontracting performance is pulled by GSA for SBA from the Electronic Subcontracting Reporting System (eSRS).

Success factor grading is based on information provided to SBA by each federal agency to document its performance for each factor. This information is reviewed by a peer panel comprised of Directors of agency Offices of Small and Disadvantaged Business Utilization (OSDBUs). Three panelists review each agency's submission, and the average score is reported on the agency scorecard. The government-wide success factor grades are the averages of all agencies' performance on that specific factor.

This Administration has emphasized its commitment to ensuring small businesses get their fair share of federal contracts. SBA has made significant progress in increasing the transparency and reliability of its Scorecard methodology and the reliability of data provided by agencies. As mentioned above, the Scorecard methodology is publically available, as is the data in FPDS-NG, in real time. Although SBA cannot change the data in FPDS-NG nor enter it on behalf of agencies, SBA has conducted data anomaly reviews and shared findings with agencies prior to the data certification date to provide agencies time to correct errors. SBA initiated these practices in Fiscal Year 2011, and in Fiscal Year 2013, SBA worked with GSA to develop a standard anomaly report that can be run by agencies at any time. SBA encourages agencies to run the standard anomaly report quarterly and correct errors as they are discovered. SBA continues to identify anomalies through other forms of analysis and shares those findings with agencies to correct. Additionally, SBA has allocated new staffing resources to improve data quality and provide training to agencies. Finally, data quality best practices are incorporated into one of the success factors, so SBA can score agencies on their internal practices. SBA continues to work with OMB's Office of Federal Procurement Policy and each federal agency to ensure that effective policies and practices are in place to provide maximum practicable opportunity to small businesses.

Thank you for your continued leadership and support. I look forward to your questions.