

Opening Statement of Chairman Steve Knight (R-CA)
Subcommittee on Contracting and Workforce
Hearing: "Hotline Truths II: Audit Reveals Inconsistencies in Defense Subcontracting"
May 17, 2018

AS PREPARED FOR DELIVERY

Good morning. This hearing will come to order.

Congress has long established the need to maximize opportunities for small businesses. I believe a vibrant small business community is essential to our national security. Many of these businesses serve our country by working with the Department of Defense to provide necessary goods and services to our men and women in uniform. One purpose of the Small Business Act is to ensure that we maintain a strong industrial base of small contractors ready to provide cost-effective solutions and cutting-edge innovation.

Therefore, it is important that no part of the Small Business Act is ignored or undermined. Statutory provisions that are not observed can threaten the crucial benefits small business provide to our military.

This Subcommittee is grateful to the Department of Defense Office of the Inspector General, or DODIG, for its work in continuing to investigate the mismanagement of the small business subcontracting requirements. These reports provide documented proof of agency practices that are detrimentally impacting small subcontractors. I'd urge the Inspector General to consider continuing investigations to determine if we are facing a systematic problem throughout the Department of Defense.

Turning to the report at hand, the DODIG investigated small business subcontracting at two Army Contracting Command, or ACC, locations. The IG's report, issued on March 19, 2018, found that the ACC has inconsistently complied with statutory requirements requiring the administration of subcontracting plans. This failure resulted in the denial of \$914.8 million in small business subcontracting opportunities.

Putting this number in context, the Inspector General investigated 50 contracts for this report. Extrapolate this across the entire Army procurement system and the damage to small businesses could be devastating. Make no mistake, these are disturbing and egregious errors made by the Army that should not have occurred.

Furthermore, the Inspector General found that the ACC may have missed opportunities to recoup liquidated damages potentially owed to the federal government and taxpayer of up to \$82.3 million.

Perhaps most telling is the Inspector General's finding that administering subcontracting plans is not a high priority at the ACC. This is a short-sighted view, and a failure to consider the harm the loss of qualified, high-performing small business contractors would have on our industrial base. This translates to less competition, higher prices, and robs our warfighters of the newest innovations and best solutions that so often come from small businesses and start-ups.

Through the testimony of our witnesses today, I hope to uncover what these findings might indicate about our defense procurement system. I understand this devastating report is merely a snapshot of one, isolated piece of our defense contracting network, but I hope the conversation today will spur others to action.

I now yield to the Ranking Member, Ms. Murphy, for her opening statement.

