



Testimony of Anne Crossman

On behalf of

Women Impacting Public Policy

Submitted to the

House Small Business Committee  
Subcommittee on Contracting and Workforce

“Continuing Challenges for Small Contractors”

November 18, 2015

Good morning. Chair Hanna, Ranking Member Takai and distinguished Members of the Subcommittee, thank you for the opportunity to testify.

My name is Anne Crossman. I am the Head Revolutionary at Completed Systems, a women-owned small business, based in Oakton, Virginia, dedicated to completing information technology projects that others have given up on. I am also President of Vertical Jobs, a company that provides experienced role players to law enforcement and government agencies.

I am here today representing Women Impacting Public Policy (WIPP) where I serve on its Leadership Advisory Council. WIPP is a national nonpartisan public policy organization advocating on behalf of its coalition of 4.7 million business women including 78 business organizations. WIPP plays a key role in developing women-owned businesses into successful federal government contractors through its Give Me 5 and ChallengeHER programs. Despite WIPP's efforts, access to federal contracts continues to be a challenge for women-owned businesses.

In my experience, two issues for small contractors are clarity of teaming relationships and length of time between Request for Proposal (RFP) response and contract award date. Many of the small business set-asides in today's environment require teaming and working with competitors as partners. Clarifying each team member's part and following through to ensure the subcontracting plan has been met takes time and focus. To a small business, time really is money and having to pay resources to be available not knowing when or if you will be performing the work is costly.

With regard to these issues, I know I am not alone. Contracting challenges confront WIPP members on a daily basis and act as barriers to women business owners succeeding in the federal market. WIPP's procurement committee continually updates women federal contractors on the changing landscape of procurement through communications and webinars.

Under your leadership, the Congress has enacted much needed changes, increasing access to federal contracts for all small businesses. Women entrepreneurs continue to struggle to access federal contracts at both the prime and subcontracting levels. While the federal government is yet to reach its 5% goal of prime contracts awarded to women, progress is being made. Since its inception in 2011, the size of the WOSB Procurement Program has tripled. We are heartened by Administrator Maria Contreras-Sweet's commitment to meeting this goal in FY16.

In October 2011, WIPP testified before this Subcommittee in a hearing entitled, "Subpar Subcontracting: Challenges for Small Businesses Contractors" on the issues small businesses face with respect to subcontracting.<sup>1</sup> Since that time, the Committee has made a

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<sup>1</sup> Bisceglie, Jennifer. Statement to the U.S. House, Small Business Committee, "Subpar Subcontracting: Challenges for Small Businesses Contractors," Hearing, October 6, 2011. *Available at:* [http://smallbusiness.house.gov/uploadedfiles/bisceglie\\_testimony.pdf](http://smallbusiness.house.gov/uploadedfiles/bisceglie_testimony.pdf)

number of improvements that we applaud, including allowing women-owned small businesses to better partner with one another on federal contracts.

In the 2011 hearing, WIPP testified on confusion surrounding subcontracting requirements. The National Defense Authorization Act (NDAA) of 2013 addressed many of these fundamental problems by requiring the Small Business Administration (SBA) to clarify subcontracting requirements, including the amount that must be performed by both prime and subcontractor vendors. The SBA's proposed rule would update performance and subcontracting requirements for small business and socioeconomic program set-aside contracts.<sup>2</sup> We are hopeful that the final rule implementing these changes will be released soon.

More recently, WIPP supports an effort to increase accountability for agencies to meet their subcontracting goals as part of H.R. 1481, the Small Contractors Improve Competition Act of 2015, ultimately included in the FY16 NDAA. Incorporating subcontracting goals in Department of Defense procurement responsibilities is a positive step toward improving the subcontracting environment for small businesses.

In reviewing past testimony before this Committee on barriers facing women business owners in the federal market, we identified two continuing challenges. These are concerns with the subcontracting environment and issues with data collection and transparency. I will use my remaining time to focus on these two challenges.

#### Continuing Challenge # 1: Subcontracting

Not having a relationship with the federal government is one of the most significant problems facing subcontractors. Without that relationship, subs are wholly dependent on the prime to remain in the federal contracting system. We believe subcontractors would benefit from participating in the broader contracting process. Many of the problems faced by subcontractors are symptoms of the underlying issue that subcontractors have no real relationship with the federal government.

When WIPP testified before this Subcommittee in 2011, we raised several questions about subcontracting plans: How are subcontracting plans being reviewed prior to award? How are subcontracting plans enforced? Should subcontractors have access to the plans?

WIPP members tell us that many of these questions have not yet been addressed. Four years later, we still do not know the true amount subcontracted to small businesses or whether subcontracting plans are actively enforced. We suggest that the federal government should require disclosure of the portion of the subcontracting plan to the subcontractor that is listed. At WIPP, we call this recommendation a "List Us, Use Us"

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<sup>2</sup> Small Business Government Contracting and National Defense Authorization Act of 2013 Amendments, 79 Fed. Reg. 77955 (December 29, 2014).

policy, and we believe ensuring that subcontractors are not used solely to win awards but to do the work will benefit women entrepreneurs.

The government should require prime contractors to share this information with the subcontractor upon award. We understand the complexity of asking federal agencies to monitor compliance with the subcontracting plan, but it is necessary to ensure that prime contractors are acting in good faith when they amend subcontracting agreements.

WIPP has previously testified on the lack of information in the reporting of subcontracting plans. Since that time, the Government Accountability Office (GAO) has authored a study, "Linking Small Business Subcontractors to Prime Contracts Is Not Feasible Using Current Systems."<sup>3</sup> This 2014 study highlighted the same concerns that WIPP expressed in its 2011 testimony. The report found that linking subcontracting plans to prime contracts was "especially difficult" because the subcontracting plans do not specify to which contract they belong. GAO surveyed the four reporting systems – the Electronic Subcontract Reporting System, USASpending.gov, Federal Procurement Data System and Federal Funding Accountability and Transparency Act Subaward Reporting System and concluded that not one of the four had fully comprehensive data. In addition, GAO found that less than ten percent of contracts reported all of the required data.<sup>4</sup>

WIPP supports the effort to make this data reliable and uniformly accessible. In addition, it seems to us, that using four systems to report disparate data is an inefficient and unnecessary method to gather and display subcontracting data. WIPP believes two pieces of information should be reported and easily accessible: subcontracting opportunities available for a given contract and the extent to which those opportunities are actually being performed by a small business.

### Continuing Challenge #2: Transparency in Federal Contracting Data

Data issues, however, are not limited to only subcontracting plans. WIPP believes that annual scorecards must be transparent and accurate, given the role these reports play in encouraging agencies to contract with small businesses, including women-owned small businesses. The annual scorecards, however, could be improved in three ways to better reflect small business contracting achievement government-wide.

First, the data reported in the scorecards needs improved accuracy. The SBA Office of Inspector General (SBA OIG) has cited accuracy in data reporting as a significant challenge for the agency.<sup>5</sup> In a 2015 report, the SBA OIG found, "widespread misreporting by procuring agencies...[and] many contract awards that were reported as having gone to

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<sup>3</sup> Government Accountability Office, *Linking Small Business Subcontractors to Prime Contracts Not Feasible Using Current Systems*, December 2014.

<sup>4</sup> Government Accountability Office, *DATA TRANSPARENCY: Oversight Needed to Address Underreporting and Inconsistencies on Federal Award Website*, August 1<sup>st</sup>, 2014,

<sup>5</sup> Small Business Administration – Office of Inspector General, *Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration in Fiscal Year 2016*, October 15, 2015.

small firms have actually been substantially performed by larger companies.”<sup>6</sup> WIPP believes that accurate and timely data reporting will aid SBA in establishing Agency goals and ultimately ensure that small businesses, especially subcontractors, receive their share of contracting awards.

Second, these scorecards should measure the entirety of federal spending. Exclusions from the scorecard significantly change goal achievement progress. While SBA’s achievement of meeting the 23% was impressive, it would only have been 19.2% with the incorporation of all spending.<sup>7</sup> SBA’s recent decision to include international contracts in these numbers is a good start.

Third, SBA scorecards would be enhanced by also measuring the number of firms winning contracts. Currently, the scorecards only measure dollars awarded to small businesses. While the amount awarded to small businesses is increasing, there are fewer firms participating in these contracts.<sup>8</sup> As a result, contracting dollars are now concentrated in a smaller number of firms. WIPP was pleased to see this addresses in the FY16 NDAA.

In conclusion, women entrepreneurs consider the federal marketplace a key opportunity to grow their businesses. With more than ten million women business owners nationwide, competition for government opportunities among women innovators and entrepreneurs remains strong. For many, subcontracting is a staple of women business owners in the federal market. Ensuring that the rules and systems governing both prime and subcontractors are accurate and fair is of paramount importance. This Committee has always acted to support these pillars of WIPP’s procurement policy, and we know you will continue to do so.

Thank you for the opportunity to testify and I would be happy to answer any questions that you may have.

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<sup>6</sup> *Id* at 6.

<sup>7</sup> Small Business Administration – Office of Advocacy, *Evaluation of the Small Business Procurement Goals Established in Section 15(g) of the Small Business Act*, June, 2014 at 13.

<sup>8</sup> Burton, Robert. Statement to the U.S. House Small Business Committee, “Contracting and Industrial Base II: Bundling, Goaling, and the Office of Hearings and Appeals.” Hearing, March 27, 2015. *Available at*: <http://smallbusiness.house.gov/calendar/eventsingle.aspx?EventID=397854#sthash.hPCLkrG8.dpuf>