



Testimony of Charlotte Baker, CEO, Digital Hands

on behalf of

Women Impacting Public Policy

to the

House Small Business Committee
Subcommittee on Contracting and Workforce

*Action Delayed, Small Business Opportunities Denied:
Implementation of Contracting Reforms
in the FY 2013 NDAA*

July 15, 2014

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Chair Hanna, Ranking Member Meng, and distinguished Members of the Subcommittee, thank you for the opportunity to testify this afternoon.

My name is Charlotte Baker and I am CEO of Digital Hands. I also serve on the Education Foundation Board of Women Impacting Public Policy (WIPP). Based in Tampa, Florida, Digital Hands provides IT services to large enterprise companies as well as public entities—in essence, helping them in their ongoing war against growing cyber-threats.

I am here today representing Women Impacting Public Policy (WIPP). WIPP is a national nonpartisan public policy organization advocating on behalf of its coalition of 4.7 million business women including 75 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.

The title of the hearing sums up our testimony today. “Action delayed: Small Business Opportunities Denied” is the reason the women-owned business community needs the Small Business Administration (SBA) to implement Sec. 1651 of P.L. 112-239 as soon as possible. This provision should be a top priority for the agency tasked with assisting our community, because it allows small businesses to work together on federal contracts without unnecessary subcontracting restrictions. Moreover, women-owned companies like mine can better take advantage of the Women-Owned Small Business Federal Contract Program, because prime contractors will have greater flexibility to subcontract with other women-owned contractors.

While many small business provisions of P.L. 112-239 affect contracting, Section 1651 focuses on subcontracting requirements. The section makes an important change—that the 50% prime contractor work requirement on set-aside contracts is made on the basis of total contract dollars rather than based on the current method of labor costs. This change ensures that the majority of dollars set-aside for a small business goes to that small business.

Within this section, however, is subsection “(b)”, which focuses on an exemption to this requirement for “similarly situated entities.” This change, in particular, will increase the ability of small businesses to work together on federal contracts.

The Importance of Implementing "Similarly Situated Entity " Provisions

For my company, and many other women-owned businesses, the “Similarly Situated Entities” provision will reduce barriers to contracting. For purposes of definition, a “similarly situated entity” is a WOSB prime contractor winning a WOSB set-aside contract and subcontracting work to another WOSB firm. Another example is a small business prime

contractor winning a small business set-aside and subcontracting to another small business.

For businesses new to procurement, subcontracting is often the first step toward entering the federal marketplace. In its description of subcontracting, the SBA goes so far as to call it, “a great way to ‘get a foot in the door’ of government contracting.”¹ Statute, however, places limits on the amount of work subcontractors can perform.

The “Similarly Situated Entities” provision of Section 1651 would change that requirement for small businesses with similar designations. This is a change WIPP advocated for before this Committee. On October 6, 2011, Board Chair Jennifer Bisceglie urged the Committee to change it and this Committee shepherded this change through the Congress.

Again, current law requires that at least 50% of any contract dollars awarded through a small business contracting program go to that small business. This ensures that contracts set-aside for certain groups (e.g. Small Business, WOSB/EDWOSB, HUBZone, 8(a), SDVOSB) ultimately go to businesses of that type—and are not rerouted to other designations or large contractors.

Provision (b) of Section 1651 permits subcontracting of any amount when the subcontractor is a “similarly situated entity.” Once it is implemented, an EDWOSB may subcontract any amount to another EDWOSB. This is a change we strongly support because: 1) dollars awarded remain with companies who have the same set-aside designation and 2) access to contract competition for small businesses is increased. As we continue to respond to federal opportunities, these elements are critical.

Benefits of “Similarly Situated Entities” Provision in Section 1651: Digital Hands Example

The delayed implementation of this “similarly situated entity” provision has negatively impacted the WOSB community. Digital Hands’ recent experience is a clear example of why this is so important.

Several months ago, a significant Information Technology (IT) requirement was posted as a set-aside opportunity for EDWOSB competition. Digital Hands and another EDWOSB planned to work together. The other EDWOSB, the prime, was to provide logistical support and access to a Federal Supply Schedule (FSS), while Digital Hands was to subcontract to provide an innovative technology solution. In this case, Digital Hands’ subcontracting work would have resulted in a much higher total labor cost as it would have necessitated the placement of highly trained IT security personnel to meet the agency’s requirements.

While the majority of the hourly work would be provided by the prime through its lower cost technicians, the bulk of the labor cost of the work would be from the sub, i.e., more highly trained, higher paid, IT personnel. Digital Hands was eliminated from bidding on

¹ U.S. Small Business Administration. “Sub-Contracting.” <http://www.sba.gov/category/navigation-structure/contracting/contracting-opportunities/sub-contracting>. Accessed May 25, 2014.

this project because of the current subcontracting rule. The 50% limit effectively prohibits such an arrangement.

Under provision (b) of Section 1651, such partnerships would be allowable—effectively securing the entire contract for the targeted small business companies in the determined set-aside category and increasing access to the federal marketplace for the subcontractor. Both of these are stated goals of the program. However, as this rule has yet to be promulgated, EDWOSB's, like Digital Hands, are very limited in our ability to team with other women-owned companies or for the matter, any small companies.

My recommendation is simple: urge the SBA to implement this provision as quickly as possible to bring these necessary changes that impact businesses who are the economic engine in the United States. Thanks to this Committee's leadership, Congress passed the change; now, the SBA needs to implement it. The longer the delay, the more that all small businesses will continue to miss out on opportunities.

Thank you for providing a forum to present at this hearing today and for your efforts to make the contracting environment better for women-owned businesses. Hopefully my story will expedite the enforcement of this rule. I am happy to answer any questions.

About Digital Hands

[Digital Hands](#) is a certified woman-owned small business (EDWOSB), providing IT operations support with core capabilities in cyber security, infrastructure management and help desk. The company provides solution architecting, strategic sourcing, deployment, and ongoing operational support. A key differentiator of Digital Hands is the company's ability to develop innovative service solutions around emerging technologies as well as having two service models; a remote model (from secure onshore locations) and the traditional customer on-premise service model. Digital Hands leverages the cloud to reach global clients and provide Tier 1 through Tier 3 support services, on a 24x7x365 basis, for complex IT environments.

Some of North America's largest airlines, telecoms, financial services companies, and hotel chains rely on Digital Hands' SLA-based managed IT and security services every day. The company offers business model alignment that caps risk and optimizes costs. In addition, Digital Hands provides reliable and predictable IT operations support that allows organizations to focus on core business needs.

The company has received numerous awards from the Technology Services Industry Association, including the 2013 TSIA Star Award for "Innovation in the Delivery of Managed Services" and 2011 for "Complex Application Support" and, previously, "Best Practice Awards – Customer Commitment" and "Service Excellence – Integrated Services."