

# OPENING STATEMENT AS PREPARED FOR DELIVERY



**House Committee on Small Business  
Subcommittee on Contracting and the Workforce  
Chairman Richard Hanna (R-NY)  
“Hotline Truths: Issues Raised by Recent Audits of Defense Contracting.”  
Thursday, February 25, 2016 - 10:00 A.M  
AS PREPARED FOR DELIVERY**

Good morning. The hearing will come to order. The Small Business Act contains important protections for small companies that provide services and services to our men and women in uniform. Existing law ensures that we have a vibrant community of small contractors ready to provide innovative and cost effective solutions. However, if the statutory provisions of the Small Business Act are not observed, those benefits are lost.

While this Subcommittee hears many stories of waste, fraud and abuse in the small business prime contracting and subcontracting programs, fear of reprisals from contractors makes it hard to document and quantify those damages. Today, we are going to learn about what happened when a hotline complaint was filed with the Department of Defense’s Office of the Inspector General alleging abuse of the small business prime contracting and subcontracting programs. While the two audits we’ll discuss today do not themselves represent evidence of widespread problems, they do document that the anecdotes we all hear should not be dismissed as complaints from unsuccessful offerors. There are real problems facing small contractors. The Marine Corps’ documented failure to comply with statutory requirements concerning the approval and oversight of small business subcontracting plans has resulted in significant harm to the small business community. Continued failure to provide mandatory oversight of small business subcontracting plans has real consequences.

- It allows bad actors to over-promise and under-deliver on small business subcontracting opportunities;
- It harms compliant, responsible companies, as those that over-promise often receive an advantage when their offers are evaluated;
- It hurts small businesses that do not receive the opportunity to compete for subcontracts;
- It undermines the industrial base, as there are fewer sources of supply;
- It means higher prices, less competition, and less innovation; and
- It means our warfighters don’t always get the best product or solution.

Finally, fewer small business subcontractors ultimately translate into fewer small business prime contractors, less competition, and less innovation.

I hope today’s witnesses will be able to help us understand what occurred, and what it means for small contractors. I also hope we can explore why this makes the proposed reforms in H.R. 4341, the Defending America’s Small Contractors Act of 2016 all the more necessary. I now yield to Ranking Member Takai for his opening remarks.