



September 26, 2006



M-06-28

MEMORANDUM FOR HEADS OF DEPARTMENTS AND AGENCIES

FROM: Steven C. Preston  
Administrator  
U.S. Small Business Administration

Paul A. Denett  
Administrator  
Office of Federal Procurement Policy  
Office of Management and Budget

SUBJECT: Reporting Small Business Contracting Information

In June 2006, the U.S. Small Business Administration (SBA) reported that, in fiscal year 2005, the Federal Government awarded over 25 percent, or \$79.6 billion of contracting dollars to small businesses. This is an important and record achievement.

Recent reports have questioned the accuracy of this achievement, suggesting that several reported small business contracts and related contract actions were actually awarded to contractors that were not small. SBA used data submitted by Departments and Agencies to the Federal Procurement Data System (FPDS-NG), the official repository for Federal procurement and small business contracting information. Each Department and agency is responsible for submitting accurate data to FPDS and verifying the accuracy of such data.

There may be several reasons for possible data inaccuracies or reporting discrepancies. For example, small businesses can grow larger during performance of Federal contracts. Such examples illustrate the success of our policies that foster Federal contracting with small businesses. However, even in these cases, agencies need to accurately report the status, and sometimes the changing status, of their contractors. Other reasons for data inaccuracies or reporting discrepancies include, acquisitions of small business contractors by large businesses, inaccurate contractor reporting, and incorrect data entry by Department and Agency acquisition personnel.

Transparency and accurate data are critical to ensuring the integrity of the acquisition system, and we are taking steps to increase transparency and the accuracy of Federal procurement and small business data. SBA will soon issue a regulation to revise the rules regarding contractor reporting and certifying of small business-size status. The FPDS will be modified accordingly.

In the interim, we ask you to direct your Chief Acquisition Officer (CAO) to work closely with SBA to correct or reconcile these apparent data inaccuracies and reporting discrepancies. SBA will provide your CAO with a reporting format that should be returned by November 20, 2006, to Joel Szabat, Chief of Staff, SBA.

Thank you for your attention to this important matter.

cc: Chief Acquisition Officers