

**FEDERAL PROCUREMENT AND THE THREE-
PERCENT SET ASIDE**

HEARING
BEFORE THE
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
OF THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED TENTH CONGRESS

FIRST SESSION

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FEDERAL PROCUREMENT AND THE THREE-PERCENT SET ASIDE

THURSDAY, JULY 12, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:05 p.m., in Room 334, Cannon House Office Building, Hon. Stephanie Herseth Sandlin [Chairwoman of the Subcommittee] presiding.

Present: Representatives Herseth Sandlin, Hall, Boozman.

OPENING STATEMENT OF CHAIRWOMAN HERSETH SANDLIN

Ms. HERSETH SANDLIN. Good afternoon ladies and gentlemen. The Veterans' Affairs Economic Opportunity Subcommittee hearing on Federal Procurement and the Three-Percent Set Aside will now come to order.

Before I begin with my opening statement, I'd like to call attention to the fact that Mr. John Wheeler, Vice President of the Veterans Corps of America has asked to submit a written statement for the hearing record. If there is no objection, I would like to ask for unanimous consent that his statement be entered for the record. Hearing no objection, so entered.

Some of the panelists may recall that we held a hearing in May on the subject of veterans entrepreneurship and self employment. During that hearing, many of our panelists expressed concerns over Federal procurement opportunities and the three-percent set aside rule for Federal agencies.

Today's hearing will follow up on those concerns as we explore the current state of Federal procurement and the problems that are being faced by veterans.

Veterans of our armed forces have been, and continue to be, vital to securing our Nation's economic prosperity and development. When given the opportunity to start and manage their own small businesses, these brave men and women add tremendous value to the success of our economy, as they strive to lead a successful life back in the civilian workforce. Time and again, we have seen these veterans, many disabled, return home to live out the American dream that they so bravely fought to protect.

With over 17,000 veteran-owned small businesses back in my home State of South Dakota, I want to ensure that they, as well as all veteran entrepreneurs, are given proper assistance to expand

their small business enterprises and are given the opportunities to secure more contracts with the government.

I understand that while some agencies may be meeting the three-percent set aside goal, most agencies are not. I, along with my colleagues on this Subcommittee, am troubled by the lack of progress and effort on behalf of most Federal agencies.

As you know, Public Law 106-50 was signed by President William J. Clinton on August 17, 1999, to increase veteran participation in Federal procurement. This was then followed by Executive Order 13360 from President George Bush on October 20, 2004. These measures have not brought about the changes that we were expecting for veteran-owned businesses. While we applaud the Federal agencies that have met the three-percent set aside goal, we are concerned by the lack of progress and effort by others.

I look forward to hearing from our distinguished panelists on how we can best overcome these hurdles. I am grateful to have the opportunity to work with Ranking Member Boozman and Members of this Subcommittee to focus our efforts on meeting the needs of our Nation's veterans and the challenges they face.

I now recognize Mr. Boozman for any opening remarks he may have.

[The prepared statement of Chairwoman Herseth Sandlin appears on p. 55.]

**OPENING STATEMENT OF HON. JOHN BOOZMAN,
RANKING REPUBLICAN MEMBER**

Mr. BOOZMAN. Thank you, Madam Chair. It is no small secret that the Federal Government as a whole has done a poor job of meeting the requirements set forth in Public Law 106-50, 108-183, and Executive Order 13360 in which 3 percent of all Federal-contract dollars are to be set aside for businesses owned by service-disabled veterans.

In the fiscal year 2005, the last year for which the U.S. Small Business Administration (SBA) has complete data, the Federal Government has spent a paltry six-tenths of 1 percent of all procurement with service-disabled veteran-owned businesses (SDVOBs). This is about one-fifth of what the law and the Executive Order requires.

In 2005, only the Committee for the Purchasing from Blind and Other Severely Handicapped, the Defense Nuclear Safety Agency, Federal Emergency Management Agency, and the National Science Foundation were in compliance.

Notably absent were the U.S. Department of Veterans Affairs (VA) and U.S. Department of Defense (DoD). In VA's defense, I understand they exceeded the goal in fiscal year 2006, which is great.

While there is no entitlement to a contract for any set aside group, for obvious reasons, the Federal Government plays a special role in promoting veterans who choose the entrepreneurial path for veterans who are unique and that they earned whatever advantage the Federal Government provides, unlike all the other set aside categories of small business.

Public Law 106-50, 108-183, and 13 through 60, are fairly straightforward. Let us consider the requirements laid out in the President's directive.

Its main features are relative to promoting disabled, veteran-owned businesses. Agency heads shall develop a strategy, report annually to the SBA, designate a senior official to implement the strategy, and include contracting with the service-disabled veteran-owned businesses in the performance evaluations of appropriate agency staff.

An agency strategy must include plans to implement SDVOB set asides encouraging that participation, encouraging prime sub-contracts with SDVOBs, and training agency personnel. These plans are important, because if you don't have a valid roadmap, it is difficult to achieve the three-percent goal.

I note that Mr. Wynn's testimony states that over half the plans were incomplete and some were poorly developed. I hope Mr. Elmore will address that statement.

The President also set very specific duties for SBA, VA, the General Services Administration (GSA), and the DoD. What I am most interested in today is learning from agency representatives how they are meeting the President's directions.

I am especially impressed with the testimonies of Louis Celli and his approach to promoting service-disabled veteran-owned business by reinvigorating the Small Business Administration. I think this makes eminent good sense given the controversy surrounding other efforts to improve Federal assistance to SDVOSB.

I fully support providing SBA with the resources to improve their services to SDVOBs. And holding them accountable for meeting their mandate included in the public laws, which we have cited and the Executive Order.

In an opposite vein, I do not agree with the statement in Mr. Cervantes' written testimony. He states that DoD could not strategize on reaching these goals until the passage of Public Law 108-183.

The Defense Department never seems to have problems strategizing for other types of operational issues. In fact, that is what they get paid to do, figure out how to get things planned, including back-up plans for the back-up plan. In fact, DoD's failure to meet the three-percent goal is a major factor in the overall failure in the performance of the Federal Government.

Madam Chair, also I would just note that we have a lot of witnesses today. And I think you and I are very familiar with the laws.

So in your testimony, if you would help us in the sense that this is very important. It is a very important hearing. If you will not refrain to so much, as to what has gone on. We really understand that. If you will just kind of give us the meat of your testimony, it would be greatly appreciated.

Thank you very much.

[The prepared statement of Congressman Boozman appears on p. 55.]

Ms. HERSETH SANDLIN. Thank you, Mr. Boozman. I think that is a very good suggestion. Some of our witnesses have been before our Subcommittee a number of times. So if we can focus your opening remarks. And we too will focus our questions on the heart of the matter as to where we are today so that we can continue to do the

important follow up, which is one of the reasons we are having this hearing today to acquire more of that information.

I want to welcome our panelists testifying before this Subcommittee today. Joining us on our first panel, if they could make their way up as I am introducing them, we have Mr. Charles Baker, President and Chief Executive Officer (CEO) of MCB Lighting and Electrical; Mr. Mark Gross, President and Chief Executive Officer of Oak Grove Technologies; and Mr. Anthony Jimenez, President and Chief Executive Officer of MicroTech, LLC.

Mr. Jimenez and Mr. Gross, welcome back to the Subcommittee. Mr. Baker, we welcome you. We will go ahead and start with your testimony.

You are now recognized for 5 minutes.

STATEMENTS OF CHARLES MAURICE BAKER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, MCB LIGHTING AND ELECTRICAL, OWINGS, MD, BOARD OF DIRECTORS, VETERANS ENTERPRISE TRAINING AND SERVICE GROUP, INC. (VETS GROUP), AND MEMBER, VETERANS ENTREPRENEURSHIP TASK FORCE (VET-FORCE); MARK J. GROSS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, OAK GROVE TECHNOLOGIES, RALEIGH, NC; AND ANTHONY R. JIMENEZ, PRESIDENT AND CHIEF EXECUTIVE OFFICER, MICROTECH, LLC, VIENNA, VA

STATEMENT OF CHARLES MAURICE BAKER

Mr. BAKER. Thank you. Good afternoon Chairwoman Herseth Sandlin, and Ranking Member Boozman, and other Members of the Subcommittee, fellow veterans, and guests.

I would like to thank this Subcommittee for allowing me to contribute my perspective and voice to this very demanding challenge. That is, I won't burden my testimony revisiting a group of problems that have been well documented over the last—past 8 years.

I will focus my testimony on a set of solutions that my unique background as a servicemember, liaison to Federal employees, and businessowner qualifies me to suggest.

A more detailed explanation of my suggested approach is included in my written statement, which I have included for the Committee record.

From my humble perspective, we need to employ the intent of existing procurement laws associated with the implementation of the rules of procurement that are not being followed today.

Not following the in-place rules and policies are one of the primary reasons why we are having problems with Federal procurement in not meeting the goals.

If the current rules and policies were enforced to the maximum, practical utilization, SDVOB spending would dramatically improve.

Many of us believe procurement needs to be overhauled to correct this and many other problems. Before 1984, it was thought contracting needed to be overhauled. So the Federal Acquisition Regulation (FAR) was created and the Competition in Contracting Act was created.

In 1994, the Federal Acquisition Streamlined Procurement Act was supposed to overhaul contracting. But it created a bigger mess, utilizing GSA, the Defense Logistics Agency, and other Federal

schedules. And now in 2007, everybody wants to fix contracting again.

I am using my voice to suggest break this—break this cycle of insanity by doing things a little different this time. In the business world, I have heard insanity defined as doing the same thing over and over, while expecting a different result.

My suggestion is that we simply follow the existing rules and comply with intent of existing laws and policies first. Let us promote a culture within Federal procurement that promotes creativity and innovative within the boundaries of our current rules.

I suggest—I am suggesting a culture that passionately drives the best interest of the government first and not the best interest of a single individual or group, large business, or Federal employees seeking to find an easy way to get the job done. Or small business seeking a—to secure a contract they are not qualified to receive.

If we want to make a humongous impact on contracting, it must be done where the business transformation makes the most sense. And that is—and that has the—I am sorry. And that has the most—it has the most impact on the government. We must address the workload issue.

Ninety percent of all transactions in Federal procurement are under \$100,000. Yet, they are only 10 percent of the total dollars spent.

From a management agenda perspective, this must be addressed promptly. In my statement, I suggest an innovative approach to make an immediate, demonstrative impact on the mission. This mission impact will save money and increase our mission readiness to support all requirements under the \$100,000 threshold.

This approach would decrease costs and shorten acquisition time, all while making a demonstrative impact on the mission, and giving the majority of the work to small business as intended by law.

The overall mission of government in its critical internal elements, are the key to good contracting. Since current simplified acquisition rules are having a negative—oh, I am sorry.

Under the \$100,000—the under \$100,000 category of product and services, is critical for all small business to be—to include the SDVOB. We must make sure that FAR Part 13 and 19, which exclusively reserves—which was exclusively reserved for small business, but doesn't happen, is followed. Smaller contracts are the foundation or starting point for creating economic viability for the service-disabled vet and other small businesses. We must be allowed the opportunity to become a viable, sustainable, competitive company by getting a constant flow of work and get paid in a timely manner, because, yes, even today there are still horror stories of veterans not being paid for as long as 12 months. We cannot subject veterans to this type of financial irresponsibility.

And in closing, I would just like to say one of the key parts that I see under the \$100,000 threshold happens to be a loophole that is in the FAR. The loophole is FAR Part 8.404, which allows big business under GSA schedule to be able to compete under the \$100,000 threshold.

And I believe that this—if this was fixed and if we focused more on from a developmental side, letting small businesses to include veterans be able to compete more for contracts under the \$100,000,

as you can see which is 90 percent of all our transactions, I believe that we would be a lot more successful.

And thank you.

[The prepared statement of Mr. Baker appears on p. 56.]

Ms. HERSETH SANDLIN. Thank you, Mr. Baker.

Mr. BAKER [continuing]. Do you pronounce it Gross or "Grass".

Mr. GROSS. It is "Gross."

Ms. HERSETH SANDLIN. "Gross." I remembered that from the last hearing. A few people referred to you as Mr. "Grass." So I apologize. We will now recognize you for 5 minutes.

STATEMENT OF MARK J. GROSS

Mr. GROSS. Thank you. Good afternoon Madam Chair Herseth Sandlin, Ranking Member Boozman, and Members of this Subcommittee.

First I want to thank you for an invitation back to—how is that? Is that better? I would like to thank you for the invitation to come back before you today and share some of my experiences in the veteran business community and to discuss the three-percent Federal procurement goal for Service-Disabled Veteran-Owned Small Businesses.

As a veteran of the United States Army, I am CEO of Oak Grove Technologies. We are a Service-Disabled Veteran-Owned small business. I founded the company at my kitchen table 5 years ago this coming August.

Today, I am proud to say, I employ over 140 employees, over 70 percent are veterans, 16 percent of those are service-disabled veterans. And geographically, we are dispersed across 16 States and support both Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) in both Afghanistan and Iraq.

In my opinion, the climate has changed considerably in the past few years. If you look at some of the trends today, you will see that many agencies are improving in making awards to service-disabled veteran-owned business. Although I believe we still have a way to go.

I think that Congress has done an outstanding job in passing legislation such as 106–50, 108–183, and 109–461. All of which establish service-disabled veteran goals and mandates in Federal contracting.

Public Law 109–461, and I include it as an amendment in my testimony, is the Veterans' Benefit Healthcare and Information Technology Act of 2006.

What I believe the—what I believe some of the problems are today are—is really it comes down to accountability within agencies to meet some of these goals. I am here to offer my views on what I think can be done to ensure the state of veterans' entrepreneurship within the Federal Government.

Some of the changes, positive changes, I think that will further enable agencies to meet some of these goals are 109–461, which gives the VA special authorization in procurement to veteran and disabled veteran-owned businesses.

Another is a new rule that SBA just published about two weeks ago. And it is a new recertification rule that requires any company

that is—either merges or is acquired by a larger business, to immediately recertify their size standard.

Now, what that also does is it does not take away the contract from that company. But what it does do is it does not allow the Federal agency to include that—those contract dollar numbers in their small business reporting plans.

I offer 5 recommendations to meet this three-percent goal.

The first is with respect to set asides and sole source, eliminate the “Rule of Two” within—wherein a contracting officer has to know of 2 or more service-disabled veteran-owned businesses before an acquisition can be set aside.

Conversely, a service-disabled sole source award can only be made when there is only 1 service-disabled veteran company that can do the work.

This is the only requirement of any of the 3 statutory programs.

Create a level playing field between the statutory programs by changing the use of “may” to “shall” when using restricted competition for service-disabled veterans.

Small business subcontracting plans, including all details of the plans required by prime contractors, should be made public and accessible electronically or on forms 294 and 295 upon request.

Mandate that contracting officers impose liquidated damages, as predicated in FAR Part 19.705 through 07 for large companies that fail to demonstrate a good faith effort to fulfill the requirements of the subcontracting plans.

Close the loopholes in the GSA Schedule FAR Part 8, wherein large businesses are allowed to take away business intended for small businesses. And I believe establishing ombudsmen within agencies to provide procurement oversight.

We are proud to say that we are the first disabled veteran company to be included in the DoD Mentor-Protégé Program, as created by 108–183. We are equally proud to say we are the first company to be awarded the DoD Nunn-Perry Award this year in 2007.

As an entrepreneur and a veteran, I believe the climate has certainly gotten better in the past 7 years. I still think we have a long way to go. But I am confident that both the Congress and the Federal agencies such as the Department of the Army, the Department of Veterans Affairs, and SBA are committed to these causes.

I thank you for your time and your efforts to improve the Federal contracting climate for service-disabled veteran-owned business. And it is a pleasure to be back before you today.

[The prepared statement of Mr. Gross appears on p. 60.]

Ms. HERSETH SANDLIN. Thank you very much, Mr. Gross.

Mr. Jimenez, you are now recognized.

STATEMENT OF ANTHONY R. JIMENEZ

Mr. JIMENEZ. Thank you. Good Afternoon, Chairwoman Herseth Sandlin, Ranking Member Boozman, and distinguished Members of the Subcommittee, and distinguished guests.

It is a privilege to be here today. And I want to thank the Subcommittee for allowing me once again to share my thoughts. This time regarding Federal Procurement and the 3-Percent Set Aside. I look forward to providing my views. And hopefully they will be insightful.

I am going to violate your request, somewhat, in that I know that everybody is familiar with the law. But I think it is important that you understand the mindset that goes on when people like myself and the rest of the folks here at the table are trying to consider whether to leave a good job, whether to leave the government, whether to actually attempt to become a small business, and that you understand how important these laws are in helping us make a decision at risk. And more importantly in putting us at risk as we gamble, and I use the word loosely, on an opportunity to obtain the American dream by putting everything, and I mean literally everything at risk. There is nobody sitting at this table that hasn't risked it all in an attempt to start their own business.

The unfortunate thing is that many of us are aware of the Veterans Entrepreneurship and Small Business Development Act of 1999. And that was the first true Act that got my attention.

I was in the military at the time. And at that point in time, I actually started believing that the opportunity to be able to start my own business was there.

When it got signed into law on August 17, 1999, it created a government-wide goal that 3 percent of the total value of prime contracts and subcontracts would be awarded to service-disabled veterans. Knowing that when I retired, I would be a service-disabled veteran, that obviously, got my attention.

But what I still was unsure of was whether or not, like many laws that have been passed, the government was serious about that law. So I thought well, I am going to kind of wait it out. I took a job with a large business. It was a great job. It was with a phenomenal company here in the Beltway that had been doing business with the Federal Government for many years. And I worked with them thinking that I would probably be there long enough to be able to build up a nest egg to actually attempt to do a small business type of operation.

In 2003, the President signed the Veterans Benefits Act or P.L. 108-183. And it was at that point that I had decided I just couldn't wait any longer. I had been with this company for a whopping 8 months. But I was chomping at the bit to get out there and actually try my hand at running a small business.

So I decided it was time. I resigned from what was a phenomenally lucrative position with great upward mobility to go and open my own company, MicroTech, and to pursue my dream of small business ownership. I did that in April of 2004. And my partners and I started basically leveraged just about everything we could, including my house.

On May the 5th, 2004, the SBA and the Federal Acquisition Regulatory Council, the FAR Council, concurrently published interim rules implementing the procedures for the Veterans Benefits Act of 2003.

And a new regulation, which permitted contracting officers to restrict competition on contracts or issue sole source contracts to service-disabled veterans within dollar thresholds. All of which could be done within the accordance of the statutory requirements.

Importantly, the regulation also established procedures for protesting the status of service-disabled veterans, which I thought was interesting considering we have all been around long enough to

know that sometimes there are people who are not what they claim to be. And that makes a unique playingfield for those of us who are what we claim to be.

So like many others inside and outside the Federal Government, I was convinced that at last veterans and service-disabled veterans would have a plethora of opportunities that we desperately needed to be successful as small business men and women.

Since that date, to my astonishment, the Federal Government has fallen well short. So in other words, I got duped. I put it all into the basket, made the decision to leave the job. By the way, I am still not paid as well as I was in that job, as I am in my own business.

Now, people will say, "Well, Tony, you have done pretty well." And I have. But for every Tony, there are 100 people who haven't done well. And the fact is that as I tell people, and I hate to use it, because people think that I am actually diminishing my capabilities, but I have been very lucky. And luck does play an important part when the legislation is not working the way it is intended to work.

Less than 10 percent of the government agencies who are required to meet the mandatory statutory goals have done so. And only a handful of agencies—when I say a "handful," and I honestly didn't come up attempting to try and give stats. But the bottom line is the results are dismal.

But what astonishes me the most, and I guess because I am a veteran, is the Department of Defense, which is an agency responsible for creating Service-Disabled Veteran—which is an agency responsible for creating veterans, struggles with the number they are struggling with.

And I find that astonishing, particularly because I came out of the procurement arena. And knowing that there are people within the Federal Government who can mandate change. And if they did, it would happen.

Right now, the Department of Defense struggles to make one-third of the goals that were set. Right now they have yet to date, that I know of, accomplished even 1 percent of their set asides to Service-Disabled Veteran Small Businesses.

Good news, and, yes, there is good news, is that there are people in the Federal Government who are doing what they can, both within DoD and outside of DoD, particularly within some of the agencies in DoD. And for one, I am extremely shocked at how hard these people work, and yet how dismal the numbers seem to be.

And not being inside, but being outside looking in, I am struggling to understand how it is we can have great guys like Charles Cervantes, and Tracy Penson and, just a number of folks within Department of Defense who are working so incredibly hard for service-disabled veterans. Yet, we are not reaching the numbers.

And the fact is, and I am speaking freely and on their behalf, and I didn't ask for their permission to speak on their behalf, but I think the bottom line is that they are speaking to people who aren't listening.

And it frustrates me more than it frustrates them, because I see what they are trying to do for service-disabled veterans. It is not

happening. It is just not happening, because somebody somewhere at the top is preventing it from happening.

In addition to some of the great folks within the Department of Defense that I think are working aggressively, there are also people in Veteran Affairs who are doing things.

And the good news is there are people within Veteran Affairs that are listening to those people. Veteran Affairs has done some wonderful things in the last couple of years. And I am absolutely amazed at where I think our capabilities as Service-Disabled Veteran Small Businesses will be able to go when we have the sponsorship that VA has allowed us to have.

General Services Administration is another one that I believe has established a very aggressive Service-Disabled Veteran program, from the very top, Lurita Doan, Molly Wilkinson, down to Filipe Mendoza and his people. All of them understand. They are all working. John Phelps, who recently took over oversight of the Vets Contact, are all 100 percent in the corner of veterans. And are doing everything they can. And it is changing the opportunities for service-disabled veterans.

Rather than go through some of this, I am going to kind of jump ahead to the facts that I am sure you are all aware of and that is that there are 13,500 service-disabled veterans registered right now in the Central Contractor Registry.

Yet this morning, I was at an Army Information Technology (IT) conference where once again a contracting officer stood up and stated that they had difficulty finding service-disabled veterans to bid on opportunities.

Yet when asked, "Well, are you having problems getting 8(a) small businesses to bid on opportunities?" we were told, "No." And there are only 8,500 8(a)'s registered in the Central Contractor Registry (CCR). To fully accomplish the objectives of the legislation that we have talked about on this panel, the government agencies have to be held accountable. Many of those agencies have been called up to the Hill. And all of them have told you and other Committees Members about the great things they intend to do for service-disabled veterans. But over the last 4 years, only a few have turned those words into actions.

What stops them from dusting off the last testimony they gave and giving the exact same testimony the next time you call them up? What are we, as American citizens, doing to check the progress of these agencies? My question is, where is their report card? What is their plan to get from F to A? And who is responsible?

Because the responsibility shouldn't lie in the Small Business Office. It should lie at the very top, at the person who is responsible for managing the Deputy Assistant Secretaries, the Secretaries, the Assistant Secretaries. Those are the people that need to be held accountable.

Here are my recommendations for those agencies. And here is how I would fix it if I was made person in charge for a day:

One, I would protect the dollars. The last time I testified before this Subcommittee, it was recommended that those dollars be set aside. I believe it was Congressman Hall that recommended that. I agree with that recommendation. Make contracting officers have to ask for those dollars. And they will.

Hold Secretaries, agency administrators, and others responsible for agencies responsible for the three-percent goal. They need to understand that P.L. 106–50 was put in place. And they need to understand how to reach that goal. Each department or agency has a director of small business. But they are not the people who control the acquisition process. The acquisition process is controlled by Assistant Secretaries for Acquisition, heads of contracting agencies, agency chief acquisitions. Have the Assistant Secretaries for Acquisition, the head of the contracting agencies, and those agency chiefs testify. And require that they present a measurable and realistic plan for reaching the 3 percent goal. If after a year, they don't meet the 3 percent goal, have them come back in. Only this time have them come back in with their boss. And I promise you, you will see a change in the numbers.

Lock down the small business goals for large business contracts. Often times large businesses will fight to reduce the percentage. And they do that because it is dollars out of their pocket. Don't let that happen. Ensure that all large businesses develop a small business-subcontracting plan that mirrors the requirements in the Federal Government. And then ensure the large businesses are penalized when they fail to meet their small business subcontracting goals.

Hold procurement officials and contracting officers responsible for meeting the three-percent goal for service-disabled veterans. Make the three-percent goal for service-disabled veterans a requirement in their performance measures and a condition for their performance award. If a department or agency does not meet their three-percent goal for service-disabled veterans, then reduce the amount of their award by the percentage they failed to achieve. In other words if they only achieve 1 percent, 33 percent of the goal, then they only get 33 percent of their performance award. I guarantee you will see a change.

Madam Chairwoman, distinguished Subcommittee Members, thank you very much for this great opportunity. This concludes my testimony. And I will be happy to answer any questions.

[The prepared statement of Mr. Jimenez appears on p. 62.]

Ms. HERSETH SANDLIN. Thank you and thanks to all of the panelists. I do want to start off with a few questions before recognizing the Ranking Member.

Mr. Gross, you stated that the rule of two should be eliminated. I want to ask Mr. Baker and Mr. Jimenez their thoughts on that same statement. In your opinion, if the rule of two were eliminated, would this reduce the contract availability or increase competition?

Explain further what your understanding of the rule of two is intended to do, and why you suggest it be eliminated.

Mr. GROSS. Well, Madam Chair, I am not sure what the—what the intent of the rule is. What I believe is the outcome of the rule is it reduces the amount of opportunities that we have to compete.

I think, you know, most of the—and I can speak for the two folks here, because we work together on things. And most of us just want the opportunity to compete. I mean, it—I mean, we are not looking for—and I don't know of many that have gotten anything given to us. So we are looking for the opportunity to compete for opportunities.

The rule of two reduces the amount of opportunities that we have to compete for.

Ms. HERSETH SANDLIN. Mr. Baker and Mr. Jimenez, would you agree that the rule of two should be eliminated?

Mr. JIMENEZ. Yeah, I would.

Mr. BAKER. Yes.

Ms. HERSETH SANDLIN. Mr. Baker, and I think possibly both of the other two of you reference this, but just for clarification, the loophole in the GSA schedule that you referenced for Part 8, are you all in agreement that this is problematic because it allows the large businesses to compete for the under \$100,000 threshold category?

Mr. BAKER. Yes.

Mr. JIMENEZ. Yes.

Mr. GROSS. Yes.

Ms. HERSETH SANDLIN. Mr. Jimenez, first, you talked about the Department of Defense, your frustration, and disappointment here. What do you think is the reason why DoD can meet the other small business goals, like the 8(a), but it is not meeting the veterans set aside goal.

Other than the folks that you referenced who are doing good work to address these issues, there are other folks that aren't listening. What efforts are they not undertaking for service-disabled veteran-owned business as it relates to the registry that they are taking for 8(a) requirements?

Mr. JIMENEZ. Well, it is really funny, because when I have talked to folks in the Department of Defense and the separate agencies, and the question you ask is, "Why," one of the first answers you get is, "Well, remember it took a long time for us to get to our 8(a) goals. It took a long time for us to be able to do a lot of things. It took a long time for us to be able to establish."

The fact of the matter is, having worked in the Secretary of the Army's office and having worked at the Office of the Secretary of Defense (OSD), things happen fast when the right people ask them to happen. If we get commitment from up top, if the right people don't write memos, but put actions behind the words, it will happen.

There is nothing that the people who were appointed in the positions of authority in the Federal Government can't do if they want to do them.

So my philosophy is I don't feel the commitment. And I don't think there is anybody that feels the commitment. The commitment is a matter of showing, not saying.

And the fact is that we need a champion. We need somebody who is high up enough the food—who is high enough up in the food chain to be able to say, "This will be done, because I said it will be done. And if it is not done, you will be in here explaining to me why it is not done."

And we have all worked for folks who are like that. And when they ask us to do that, it gets done. And my feeling is that that hasn't been done. There is nobody that I feel like I can stand in front of and know that they are 100 percent behind this initiative.

Mr. GROSS. Further on that, I think—I think what it really comes down to is just, you know, who is accountable? I mean, who

is accountable. I mean, you know, the Congress can pass great legislation. The President can put out, you know, Executive Order 13360. And, you know, 3 years later, you know, the President says it is a mandate that 3 percent of the Federal dollars go to service disabled. But yet the agencies aren't meeting it.

Just the same, I know—I know Dr. Finley, the Under Secretary of Defense for Acquisitions, is a proponent of service disabled, the program. I mean, the Small Business Program. I know Secretary Gates has sent—has sent memos to staff, you know, asking to or mandating that they procure 3 percent to disabled veteran companies.

I think what it comes down to is who is—who is that one person or that one office within the Federal agencies that is accountable. And I think that that is a little cloudy. And I don't think there is one to be—

Mr. JIMENEZ. When I—

Ms. HERSETH SANDLIN. Okay. I want to clarify what the two of you are identifying in terms of the accountability issue, because where I thought you were going, Mr. Jimenez, is the accountability, separate from an Executive Order from the President.

That is the highest up the food chain we have gotten to. When it comes to the actual implementation at the agency level at DoD, you are saying that we need someone high enough up the food chain in the Pentagon as a champion to make this happen.

I think, Mr. Gross, you are saying, "Yeah, but the accountability also has to rest with one agency, say perhaps the SBA." Is that what you are saying, in terms of monitoring, and tracking, and reporting on all the other agencies?

Mr. GROSS. Well, or maybe the—you know, maybe the Office of Federal Procurement Policy (OFPP).

Ms. HERSETH SANDLIN. Okay.

Mr. GROSS. You know—I mean, I don't believe I am prepared to answer who.

Ms. HERSETH SANDLIN. No, and we are going to be hearing from both of those offices.

Mr. GROSS. Well, I mean, you know, I know I have seen memorandums coming from Secretary Gates' office, you know, supporting the three-percent requirement. I am sure the Secretary is fairly busy. And probably doesn't have a whole lot of time to provide a lot of oversight there.

So I know they are—you know, the White House, the Congress, many of the agency heads are in support of the requirement. I just don't believe when it gets down to the—maybe implementation of that policy.

Ms. HERSETH SANDLIN. That there has been a clarity of responsibility.

Mr. GROSS. That there is—there is clearly someone responsible for ensuring that that happens.

Ms. HERSETH SANDLIN. Okay. I will come back with some additional questions, but I want to recognize the Ranking Member for questions he has.

Mr. BOOZMAN. Thank you, Madam Chair. The only thing I would ask is that I am a little confused on the rule of two. It looks like if you did away with the rule of two, I understand that what you

are arguing. But you could also argue that that is less opportunity for somebody that is trying to break into the system, because there is the textbook way that things are done. But the reality is there would be if you are in the system, the procurement officer, is more likely to go to his guy versus having to have to bring in other people. See what I am saying?

Mr. GROSS. I do. And I think—you know, I think what the rule of two adds is just another layer, another process that—you know, our acquisition staff I believe is probably overworked. I mean, understaffed, and so adding an additional—and I am sure they have an awful lot of work to do.

So, you know, it—I believe it is human nature to sort of take the path of least resistance. And if you are adding more steps for them to do something, it is going to cause a problem. And I believe that is what is happening.

Mr. BOOZMAN. But it does create more opportunity by getting more people theoretically involved in—

Mr. GROSS. Well, if—

Mr. BOOZMAN [continuing]. The opportunity to acquire the—

Mr. GROSS. That is correct. But what—but understanding a set aside is open for competition. So, you know, what that rule of two is the contracting officer has to be confident there is two companies that can bid that particular opportunity.

My thought is if there is 8,000 8(a) companies registered in CCR, and there is 10,000 service-disabled in CCR, and you don't have to have the rule of two for the 8(a), why have the rule of two for the service-disabled? You are—I can pretty much assure you on anything that you set aside service-disabled, you are going to get more than two bids.

Mr. BOOZMAN. Okay.

Mr. GROSS. Anything.

Mr. JIMENEZ. I think, sir, in honesty, what it is, is a risk issue. As a contracting officer, there is a tremendous amount of effort that goes on before it ever goes out for bid.

And the last thing you want to have is to put a bid out and not have two bids, because if you don't have two bids and you only have one bid, you have got to go back to the drawing board and re-procure.

And when you have 70 or 80 procurements lined up ready to be done in the next 6 months, the last thing you have time to do is to go back and continue to rebid, because you haven't met the rule of two.

The fact of the matter is that it is a hurdle. And it is—and what it does is it disincentivizes contracting officers to want to go the route that we are trying to incentivize them to go. It is a hurdle that is not required in any other set aside procurement. And it is one more thing that makes the argument against using a Service-Disabled Veteran-Owned small Business.

And I have heard contracting officers say, "You know what, it is tough setting things aside for a service-disabled veteran, because I don't have time to learn how to do it different than I am doing it for everybody else."

Mr. BOOZMAN. Okay. Thank you very much.

Mr. BAKER. I would like to make a comment about the rule too.

Mr. BOOZMAN. Yes.

Mr. BAKER. I agree with what everybody is saying about the rule of two. The only thing that I see it as a problem and more clarification—actually every small business group has a rule of two.

Okay, including the 8(a) program. The 8(a) program has a rule of two over the threshold. The 8(a) program, for example, has non-competitive procurements under the threshold. Over the threshold, it has the rule of two. HUBs don't have the rule of two. Everybody has the rule of two. If you have small business set aside, you have rule of two.

What I believe needs to happen is eliminating the words "rule of two," because it is a confusion. What happened and I will agree with what Tony was saying earlier, what happens with a procurement, if you actually have—if you actually have a limited people—amount of people that is going to be bidding on a contract, the problem that you run into, if you decide to do a sole source on the SDVOB, the issue that you run into is you have to advertise that sole source, just like you do every other sole source.

It has to be—you have to put it out in the Commerce Business Daily and the Fair Business Office to say that you only have one service-disabled veterans that is doing this.

And this is what contracting officers fear. They go through all this work. And then you are going to get a bunch of service-disabled vets now saying, "Hey, you are going to do that sole source. You are going to do that sole source. We can do it too."

So that is the problem. The problem is within in the 8(a) program. You have an—it is a non-competitive procurement process. It never gets advertised. So when you only have one, nobody every knows there is only one. So, you know, it is a non-competitive process.

What I would like to see is I would like to see the Service-Disabled Veteran Program have a non-competitive vehicle. Okay. Which basically eliminates the rule of two. Okay. But you also—you not eliminating the rule of two, because over the \$3.5 million and \$5.5 million, you going to have rule of two within the service-disabled veteran community for everybody to be able to compete.

So it is about the threshold. Under the threshold, \$3.5 million for services, \$5.5 million for commodities. You have a non-compete over the threshold. You keep rule of two. And you compete.

Ms. HERSETH SANDLIN. I see Mr. Gross nodding. Maybe the two of you could spend a little bit more time here to clarify a little bit. We are certainly going to do some followup after the hearing, but I want to make sure I know where there is unanimity of opinion among the 3 of you, given the experiences you bring to the table.

Is what Mr. Baker just suggested, as it relates to under the threshold, and the non-competitive vehicle that would effectively eliminate the rule of two, a reasonable way to approach it given that that seems to be how all the other programs work? Therefore, you contracting officers wouldn't be doing anything different for the different set-aside programs.

Mr. JIMENEZ. Correct. Streamlines the acquisition process and standardizes it across the board for set asides.

Mr. GROSS. Yeah. I agree. I mean, you know, my personal views are there shouldn't be any sole source for any of the programs, because it does eliminate a little bit of competition I believe.

But by not having the Disabled Veteran Program in that same pool, you create a disadvantage for that—for that program.

And understand, you know, contracting officers typically aren't sole sourcing millions and millions of dollars to these small businesses. It is usually not far above the threshold of simplified acquisition, which is 100K. And it just makes the process move faster.

Ms. HERSETH SANDLIN. Mm-hmm.

Mr. GROSS. And it gives the contracting officer the ability to negotiate. And they all should be. I mean, as—

Mr. BAKER. There are \$145 billion that are actually sole sourced in the Federal Government. But the majority of these dollars that are sole sourced are to big business.

Mr. GROSS. I don't believe in sole sourcing it at all.

Ms. HERSETH SANDLIN. Okay. Just a couple of other quick questions on the contracting officers, because when we had the hearing in May, I think that the issue of the workload came up.

I think, from what I sense in the written testimony and some of your verbal testimony today, there is agreement about concerns about the workload of the contracting officers that you have worked with.

Once we streamline and standardize some processes here, there is also the issue of the number of people to do these jobs. Do you all agree that the workload issue is an issue that needs to be addressed?

Mr. BAKER. Yes.

Ms. HERSETH SANDLIN. How about the training issue.

Mr. BAKER. I will tell you that it is almost—it is almost a comical thing. I mean, it is—when I go around and talk to a lot of people in the procurement community, and I don't mean to be negative about this, but I have had people ask me, "What is 8(a)? What is service-disabled vet?"

These are people in small business positions. But yet they don't even understand the program. They have no knowledge of the program. They are—I have had agencies with policies, written policies, about competing, 8(a) contracts for example, which is illegal.

You know, and that is—that is one of the things I am talking about is that there is a big misunderstanding when it comes to procurement officers. You—they—it is—I don't know. Times are changing.

When me and Tony were, you know, working with the government and dealing with procurement issues, we had—we had that experience. But, you know, with the baby boomers coming, we are losing a lot of experience. And the people you getting in, they getting a lot of people in from private industry. And they just aren't familiar with, you know, terms. You know, the government is full of terms. And they just don't understand it.

I think maybe if they had a one-hour training. A one-hour training would do amazing results. Just—let us just bust up the myths in procurement. I think that would go a long, long way.

Ms. HERSETH SANDLIN. Thank you. Do either of the two of you have any comments to offer, relating to your experience in the

training and the knowledge base of all of our contracting officers, to effectively implement these set-aside programs?

Mr. GROSS. Well, I am not a contracting officer, so I can't really speak to—I mean, I am not sure if like say a lawyer, you know, has a requirement for, you know, continuing legal courses per year. But I think that if contracting officers had something like that, a requirement where they, you know, take 2, 3 hours a year and maybe, you know, get sort of up to speed on what some of the—what the agency policies are and the—you know, the Federal procurement policies are. That would probably go a long way, because I agree.

I mean, I think many, many contracting officers have heard of different programs. But, you know, really aren't 100 percent up to speed on, you know, how do they implement that? How is that implemented at their level?

Ms. HERSETH SANDLIN. That was one of my questions in terms of your experience, awareness, and full understanding of all of the different programs that the contracting officers are working with day in and day out. We will follow up with the third panel on some of the more specific questions about current training conditions and requirements.

Mr. JIMENEZ. One of the—

Ms. HERSETH SANDLIN. Mr. Jimenez.

Mr. JIMENEZ. One of the issues for contracting officers is that there are standards for contracting officers and their DAWIA standards, Defense Acquisition Workforce Improvement Act is the initiative, which actually requires a significant amount of training to be able to become a warranted contracting officer, coupled with the experience.

And the problem that I found is that once I achieved what was called level 3, which meant that I had gone through the level 1 training and the courses mandated by DAWIA, had gone through the level 2 training and the courses mandated by DAWIA, and then gone to the level 3. You go to an executive course that teaches you relatively new things.

No time was it ever dictated that I needed to get what type of training once I reached the executive level. So what I struggled with was trying to find out where I could go to learn about new things I needed to learn about.

What I am finding is that my peers in the government who are at the contracting level 3, who were warranted contracting officers, go to their refresher training. But often times that refresher training does not include training that makes them aware of service-disabled veterans requirements, set asides, public law. And that is where it fails.

Defense Acquisition University (DAU), which has the mandate to ensure that contracting officers within the Department of Defense receive a certain amount of training, have a course. But the course is not a required course. And it is normally only provided to those people that are coming in at the very basic level.

So as Charles pointed out, the important thing is that those people who are at the basic level aren't going to have warrants for 10 more years. The people at the top who are making the decisions in procuring the large opportunities, are not being required to go

through that training. And consequently are busy and don't see that as being training they need.

So what desperately needs to happen is the people who are mandating the dollars, the people who are signing the contracts as the warranted contracting officer, need to be educated on new initiatives, particularly when they are as significant as the service-disabled veterans set aside rules associated with giving procurements and set asides to service-disabled veterans.

Mr. BAKER. Can I make one quick comment about DoD? It will take—I promise it will take 30 seconds.

Ms. HERSETH SANDLIN. Okay. We do have two more panels, but I appreciate your insight.

Mr. BAKER. Just—

Ms. HERSETH SANDLIN. So certainly.

Mr. BAKER [continuing]. 30 seconds.

Ms. HERSETH SANDLIN. Okay. That way the DoD will have an opportunity to respond.

Mr. BAKER. Right, exactly.

Ms. HERSETH SANDLIN. Okay.

Mr. BAKER. It seems ironic to me that, you know, we as veterans, when it—relating to DoD, we have to go to the frontlines in war. But when we come home, we are going to the back of the line. And I don't think that is very fair. And that is all I would like to say.

Ms. HERSETH SANDLIN. I appreciate your comment, and as we work very closely with the Department of Veterans Affairs, some of the concerns have been raised along the same lines as they relate to benefits and particularly healthcare.

I think we just want to make sure, working with our colleagues on the Armed Services Committee, that we do have the accountability you are all asking for.

We also want to make sure that once we identify and provide clarity for the accountability, the resources are targeted then appropriately, as many of you have recommended.

I appreciate your recommendations and your testimony today, and thank you. We look forward to continuing to work with you.

I would now like to invite our second panel to the witness table. Joining us on this panel of witnesses is Mr. Joe Wynn, President and Chief Executive Officer of the Veterans Enterprise Training and Service Group Incorporated; Mr. Joseph Sharpe, Deputy Director for the National Economics Commission of the American Legion; and Mr. Eric Hilleman, Deputy Director of the National Legislative Service for the Veterans of Foreign Wars (VFW).

Gentlemen, welcome back to the Subcommittee. We look forward to your testimony.

We will start with you Mr. Wynn. You are recognized for 5 minutes.

STATEMENTS OF JOE WYNN, PRESIDENT, VETERANS ENTERPRISE TRAINING AND SERVICE GROUP, INC. (VETS GROUP), MEMBER, VETERANS ENTREPRENEURSHIP TASK FORCE (VET-FORCE), AND NATIONAL ASSOCIATION FOR BLACK VETERANS; JOSEPH C. SHARPE, JR., DEPUTY DIRECTOR, ECONOMIC COMMISSION, AMERICAN LEGION; AND ERIC A. HILLEMANN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

STATEMENT OF JOE WYNN

Mr. WYNN. Pardon me. Good afternoon Chairwoman Herseth Sandlin, Ranking Member Boozman, other Members of this Subcommittee, fellow veterans and guests.

Let me first thank you for the opportunity to come before you to share some of my views on the Veterans Federal Procurement Program. And why agencies still can't make the 3 percent.

Three primary reasons that I am kind of focusing on. One is the failure to comply with the Executive Order 13360. The no authorization to make direct awards to service-disabled veteran-owned business. That is relating to that rule of two you were speaking of. And the misinterpretation of that one single word "may" versus "shall."

First, let me go over the Presidential Executive Order that directs agencies to implement the mandatory legal requirement to procure not less than 3 percent of their goods and services from service-disabled veteran-owned business.

If agencies would actually adhere to the Executive Order, they would be much likely to achieve the mandatory minimum, 3 percent.

And here is why. The order calls for each agency to develop a written strategic plan that will provide details and guidance as to how they will proceed to increase contracting opportunities for service-disabled veterans and to make the plans publicly available.

Now, that order was issued in 2004. But most agencies did not post their plans to the VA and SBA public websites until May 2006.

A review of the plans by a special Committee of the VET-Force, of which I was a member, revealed that over half of the plans were incomplete and some were poorly developed. As you can see from my attachment to my written statement that I request be submitted for the record, agencies are not only supposed—are not only supposed to make their plans publicly available, but they are also required to report annually to the Administrator of the SBA on the implementation of the agency's strategy.

But only a few agencies have even attempted to submit an annual report. And partly because the SBA has not followed through on their part to provide proper guidance of where, when, and how to submit the reports.

Each agency should now have a designated a senior-level official to be responsible for developing and implementing the agency's strategy. But most agencies never designated anyone. Some designated someone. But they were not a senior-level official. And then some had senior-level official. But they have since left the agency.

Significant elements of the strategy and the agencies' achievements were to be incorporated in the performance plans of the designated senior-level official, the chief acquisition officer, and the agency's small business director.

But to date, most agencies are still thinking about how to avoid that directive. However, the VA, under the Deputy Secretary Gordon Mansfield, did seem to comply.

And oh, by the way, the VA is one of the few agencies to claim to have achieved the 3 percent goal for 2006.

Now, each agency's strategic plans should include specific guidance on the 5 following things: How they will reserve agency contracts for service-disabled veterans? How they will encourage service-disabled vets to compete for agency contracts? How they will encourage the agency's large prime contractors to make subcontract awards to service-disabled vets? How they will train their agency personnel? And how they will disseminate information to educate service-disabled vets about the process?

Most agencies have simply left these tasks to the Small Business Office. Many seem to rely on their websites, the Small Business Office, and their agency for forecast lists.

The Defense Authorization University's online course to provide training on the Veterans Procurement Program does not seem to clarify how to apply the laws.

Seemingly, very few agencies are doing anything to encourage their large prime contractors to award subcontracts to service-disabled vets. So very few penalties, if any, are being imposed on the large prime contractors for failing to comply with the subcontracting plans.

The Executive Order also called for additional duties of the SBA Administrator, the GSA Administrator, the Secretary of Defense, the Secretary of the VA, and the Secretary of Labor.

Let me just hit on particularly the one about the SBA Administrator, because it seems most important. The SBA Administrator was directed to designate an appropriate entity within the SBA to coordinate with the Center for Veterans Enterprise over at the VA, to provide service-disabled veteran-owned business with information and assistance concerning participation in Federal contracting.

The Administrator is also to advise and assist the heads of the agencies in the implementation of their strategic plans and make available to service-disabled vets training in Federal contracting law, procedures, and practices.

Now even though the current Administrator started in late 2006 with a positive attitude toward addressing the unmet needs of veteran business owners, and announced at a meeting of the Vet-Force in 2007 that the Office of Business Development would take the lead on this, it is seemingly SBA has dropped the ball and failed to comply.

Since that meeting in March, the SBA still has not assisted any agencies with their strategic plans. They have not instructed agencies on how, when, and where to submit their annual reports and they have not implemented any Federal procurement training.

The Office of Veterans Business Development perhaps should be required to submit a strategic plan demonstrating how present and future Congressional appropriations will be used to expand the as-

sistance needed for veteran business owners for Federal contracting.

GSA had a role to play with the Vets Government Wide Acquisition Contract (GWAC). That GWAC has now been made public. There are some issues concerning that, which I won't get into right now.

DoD's role was to do the online training with the DAU University. That has happened. In addition to that, I would like to mention, though, just recently through the efforts of the VET-Force, the DoD Deputy Chief of Acquisition made a commitment that DoD's Strategic Plan would be compliant with the Executive Order and issued a directive to all of the Armed Forces Secretariats to complete a comprehensive and complete Strategic Plan also.

The VA, as we have heard many times, has been very compliant with their role in this whole Federal procurement program. So I won't spent any time discussing that. And the Department of Labor is doing its Transition Assistance Program outreach.

The other two things I will just mention real quick—

Ms. HERSETH SANDLIN. Okay, I do need you to summarize, because we—

Mr. WYNN. I will—I will do so.

Ms. HERSETH SANDLIN [continuing]. Have the other panel to get to as well, and our questions for you.

Mr. WYNN. The other two I will just summarize very briefly. The fact that contracting officers don't have the authority to issue direct awards creates an impediment to the Service-Disabled Veteran Program.

And then as I mentioned, the language of the use of the word "may" versus "shall," just seems to create a bunch of confusion for many of the contracting personnel.

This concludes my testimony. I request that the graphs be submitted for the record.

[The prepared statement of Mr. Wynn appears on p. 63.]

Ms. HERSETH SANDLIN. Thank you, and they will, as will all of the written statements, which we have had a chance to review. Thank you for your testimony. We appreciate it, Mr. Wynn.

Mr. Sharpe, you are now recognized.

STATEMENT OF JOSEPH C. SHARPE, JR.

Mr. SHARPE. Thank you. Madam Chairman and Members of the Subcommittee, I appreciate this opportunity to share the views of the American Legion on our current state of veteran entrepreneurship to include the three-percent Federal procurement goal for service-disabled veterans.

Public Law 106-50, the "Veterans Federal Procurement Opportunity Act of 2003," including Public Law 108-183 and Executive Order 13360, were all passed by Congress with the intention of clearly helping veterans with hands-on business development training, technical, financial, and procurement assistance.

However, agency compliance with Public Law 106-50 and other mandates have been minimal. After several years of enactment, hands-on veterans business development training is performed by only 8 poorly funded centers, 5 belonging to the Small Business Ad-

ministration and 3 funded by the National Veterans Business Development Corporation.

Technical assistance has been a patchwork of questionable services provided by certain organizations and Federal agencies.

And in fiscal year 2005, no agency reached their minimum 3 percent procurement goals, which the American Legion finds insulting.

The American Legion is also dismayed that the only data available that gives a breakdown on how agencies are making their procurement goals is fiscal year 2005 data.

It is amazing that we are now looking ahead to fiscal year 2008. And that there is no sure way of ascertaining how Federal agencies are meeting objectives set 7 years ago.

President Bush made it a mandate that all Federal agencies be judged on their ability to tie performance with outcomes. The Department of Veteran Affairs appears to be the only agency that has made an effort to fulfill those mandates by providing training, procurement opportunities to veterans, to include providing the veteran community with a realistic 10-year strategic plan that includes benchmarks and performance measures.

The American Legion strongly supports the mandates of Public Law 106-50 that were designated to assist all veterans wishing to start, expand, or protect their business.

Madam Chairman, this concludes my testimony. I appreciate the opportunity—I appreciate the opportunity to express the American Legion's views on these important and timely issues.

[The prepared statement of Mr. Sharpe appears on p. 71.]

Ms. HERSETH SANDLIN. I thank you, Mr. Sharpe.

Mr. Hilleman, you are now recognized for 5 minutes.

STATEMENT OF ERIC A. HILLEMAN

Mr. HILLEMAN. Thank you Madam Chairwoman, Ranking Member Boozman. Thank you very much for holding this hearing today. We are glad to be a participant in this hearing.

The three-percent set aside for Service-Disabled Veteran-Owned Small Businesses is a—is an important issue. And in the spirit of brevity, I will save you the history lesson. You probably would be better teachers than students. Thank you.

The VFW has a resolution, 658, entitled “Mandating the Three-Percent Federal Contracts for Service-Disabled Veteran-Owned Small Businesses.” To date, the Federal Government has failed to meet the 3 percent goal prescribed by the 106th Congress, and enhanced by the 108th, and the 109th Congress.

We applaud this Subcommittee for exercising oversight on this issue. We believe the lack of adherence to this goal has been due to the absence in agency leadership and Congressional oversight. The agencies such as Department of Defense, Department of Veterans Affairs, the Department of Labor, Small Business Administration, and the General Services Administration must play an important role in promoting and meeting this 3 percent goal.

On October 20th of 2004, President Bush issued an Executive Order to strengthen the opportunities in Federal contracting for service-disabled veteran-owned business. This Executive Order lays out the structure for government-wide implementation and the 3 percent procurement goal. It promotes agency accountability, train-

ing for government—training for government procurement officers, and agency executives implementing planning and cooperation. We believe this Order is a necessary step toward realizing the adherence to the three-percent goal.

The 109th Congress recognized the importance of this order and passed Public Law 109–461, which was an important step in realizing the 3 percent goal.

We urge Congress, and specifically this Subcommittee, to continue to investigate Federal procurement practices. Federal agencies must be required to adhere to this Executive Order and existing law.

Reporting standards have been outlined by the Order and further defined in the law. We ask that the Subcommittee continue to highlight this issue with the purpose of promoting service-disabled veterans participation in government contracting.

Fair contracting practices will remain a priority of the VFW until Service-Disabled Veteran-Owned Small Businesses are given equal participation as other priority contracting groups.

Service-disabled veterans have faced disadvantages in the market due to lenders' unwillingness to extend credit to disabled veterans and disabled individuals. Disabled veterans are seen as a greater credit risk by financial institutions and often perceived as less capable.

The three-percent set aside for government procurement is a means of establishing a viable means of revenue for many of these businesses. It gives them greater market share and increases their customer base by improving access to capital.

I thank you, Madam Chairwoman, for holding this hearing. And Members of this Subcommittee, thank you. This concludes the VFW's testimony. We would be happy to answer any of your questions.

[The prepared statement of Mr. Hilleman appears on p. 75.]

Ms. HERSETH SANDLIN. Thank you to all 3 of you for your testimony, your written statements, and your suggestions.

I do think that we have to find ways, and I think the recommendations from our first panel as well as yours, serve that purpose. Your experiences and what you have seen suggests we have just to empower those ultimately responsible for accountability through our oversight to meet these goals.

I will have a few questions, but I want to turn it over to the Ranking Member for any questions that he may have.

Mr. BOOZMAN. Thank you, Madam Chair. I really don't have any questions. But I, again, we have an awful long way to go in this process. But we have made some progress.

And I want to thank you all and the groups that you represent. And then the other groups that are not at the table that also have worked very, very hard in this regard. Because, again, without your help, we wouldn't have gotten as far as we have.

So we appreciate your advocacy. We appreciate your ideas. You all are out there fighting the battle. And, in the positions you are at now, you are not on the frontline. But you hear from the frontline guys all the time. And we do appreciate the input. And it is very helpful. So thank you very much.

Ms. HERSETH SANDLIN. Mr. Hall, you are now recognized for any comments or questions of the panel.

Mr. HALL. Thank you, Madam Chair, and thank you Mr. Ranking Member Boozman. Excuse me, please, for being late. I was double booked again this afternoon in two Subcommittee meetings. But I am glad to be here. And thank you all for your service and for your testimony.

I am sorry to hear where we are now in the process after several years of attempting—of the different departments attempting, supposedly attempting, to meet this three-percent standard.

And I guess I have one question to all of you, which is what do you think would be the result if Congress were to amend the laws so that that set aside was actually fenced off and was only available to each department, if it was contracting out to disabled veteran-owned businesses? Unless, perhaps, in the instance in which the department could show that it had gone through all the steps that are required in the existing law of appointing a person to be in charge, and doing the outreach, and doing the education? And they couldn't come up with a qualified contractor or a qualified business to award that contract to. At which point they could escape the fence.

But sequestering the money and actually only allowing it to be used for the purpose that this law sees it dedicated to. So maybe a little more of a carrot out there and a stick.

Mr. HILLEMAN. Congressman Hall, if I may. The VFW would not be very excited by fenced off funding, even with security triggers as you are suggesting.

In the process of fencing money, we believe that you limit the hand of the agency in terms of meeting its immediate needs. We have seen some of that in the case of the VA, when money is fenced aside mandating that they have to be adherent to a certain compliance for the Congress. They are not able to respond as quickly as maybe they should, because they say it is mired in, triggers and approving. We have to go to the Congress and ask for the money. We are fearful of that.

Am I saying it won't work? No. I am just saying that I don't know that we would be necessarily supportive of that.

Mr. HALL. Can I follow up with saying what about if it were phased in over 5 years, so you had—the agency would have—the VA would have 5 years to get ready? Or a given number of years to prepare and to put the mechanisms in place and still have the escape clause where if there—if no one came forward to bid on a contract, then they could go ahead and use the money?

Mr. HILLEMAN. Without seeing it writing, sir, I would—

Mr. HALL. Okay.

Mr. HILLEMAN [continuing]. Hesitate to comment on that.

Mr. HALL. Well, it is not in writing yet.

Gentlemen, anybody else want to comment?

Mr. WYNN. Yes, sir. Congressman Hall, I am not sure how that would work, what you are suggesting. Some of the things that I will comment on and say that—with regard to trying to enforce and progress the program.

We have had discussions about incentives to the contracting officer or the agencies when they do achieve or show significant progress.

Also penalties to be imposed if—as was mentioned earlier, putting it in their performance evaluation of the senior level officials and contracting officers if they don't show any progress.

Trying these kinds of mechanisms to see if this will improve and increase the number of contracting opportunities to service-disabled vets. The—I would imagine that the requirements that are needed within each agency are still needed. We don't want to impose upon the agencies to not meet their requirements. We just want agencies to use service-disabled veterans more, at least at a minimum of 3 percent.

Mr. SHARPE. As stated in our testimony, we think the VA is moving in the right direction. And because of that, I can't see why the other agencies couldn't follow suit.

Mr. HALL. Do you think—

Mr. SHARPE. It—

Mr. HALL. Excuse me. I was going to say if—are there any specific suggestions besides what is already in law? And talking to them and encouraging them that that would make them move there faster?

Mr. SHARPE. I believe there should be some sort of mandate for them to move faster. We do agree that it should be in the performance evaluations of those officials in the various agencies. I think all agencies should be required to come up with a strategic plan.

SBA needs to do what they were originally designed to do. I think we have everything primarily in place. I am sure there is more tweaking we could do. But I just don't see the will on a lot of these agencies to do what they are supposed to do.

And they need to be encouraged. They need to be monitored. And we need to continue to badger them until they do so.

Mr. HALL. Thank you, sir. My time is expired. I yield back.

Ms. HERSETH SANDLIN. Mr. Hall, did you have any followup questions?

Mr. HALL. No.

Ms. HERSETH SANDLIN. It is sometimes too restrictive to adhere to the 5-minute rule in the questioning.

Mr. Hilleman, in your written and verbal testimonies today, you talked about the role that the Department of Defense, Department of Veterans Affairs, Department of Labor, SBA, and General Services Administration should be playing in promoting and meeting and three-percent set aside goal.

What role should each of them be playing in your opinion? Asked a little bit differently, should one of those entities, perhaps the SBA or one that you didn't mention, the Office of Federal Procurement Policy be responsible for tracking the progress made by all of the agencies in meeting the goals? Is there a position that you have taken there? Or maybe you could just elaborate on what role you envision for each of the 5 that you mentioned in your testimony.

Mr. HILLEMAN. Thank you, Madam Chairwoman. In the Executive Order, there is an outline for further reporting standards at senior executive levels.

And the VFW believes that reporting by each agency would be a valuable step in achieving this goal. It would elevate the issue into the leadership and make leadership acutely aware of what is expected of them.

But I will associate myself with remarks of my fellow panelists. Performance and evaluation standards are a great way to create an incentive, especially in senior leadership positions.

In recent news, we have been made aware of bonuses that are paid to senior-level executives without the performance that the government, and the Congress, and the American people expect.

We feel that perhaps in elevating this to a senior-executive level issue, for them to be acutely aware of in doing performance evaluations, you may see greater compliance as well as greater attention the bottom line, if it is going to affect their own personal financial well-being.

Ms. HERSETH SANDLIN. Mr. Sharpe, I believe you stated, either in your verbal testimony or your written testimony, only two agencies have self-reported meeting their set-aside goals, correct?

Mr. SHARPE. Correct.

Ms. HERSETH SANDLIN. Do you believe that these Federal agencies are meeting the three-percent set aside based on the self-report?

Mr. SHARPE. I have no reason to doubt them. But as I stated earlier, I am really disappointed that that data is not out there.

Again, we are heading into fiscal year 2008. And we are still dealing with 2005 data. And the SBA and VA has to more or less verbally tell us that they have met their goals. There shouldn't be any question. We should have had that data.

There is no way to really monitor or really tell how well the Federal Government is doing unless we have some sort of statistics to see it.

Ms. HERSETH SANDLIN. Well, I would agree in terms of the importance of the information being available in a timely manner.

We just marked up a bill 2 weeks ago that dealt with reporting—

Mr. SHARPE. Yes.

Ms. HERSETH SANDLIN [continuing]. Issues, working with Department of Labor.

Mr. SHARPE. Mm-hmm.

Ms. HERSETH SANDLIN. Let me ask a question, to each of the 3 of you. In addition to timely access to the information provided by each agency, do you also feel that there needs to be third-party verification of the information, either from the SBA, the Office of Federal Procurement Policy, or some other entity ultimately responsible for the monitoring? Do you think that should be required?

Mr. SHARPE. We have stated before that we felt that the SBA should be the lead agency.

Ms. HERSETH SANDLIN. The lead agency—

Mr. SHARPE. At that—

Ms. HERSETH SANDLIN [continuing]. In ensuring compliance.

Mr. SHARPE. Yes.

Ms. HERSETH SANDLIN. Okay. Not just the lead agency in working with strategic plans, but ultimately the lead agency?

Mr. SHARPE. Well, we feel the SBA has the expertise. They have the knowledge. There is an Office of Veteran Affairs within the SBA. It should be properly funded. They have the experts, the experience there. They should be doing it.

And there should be a partnership with VA and DoD. But ultimately we think that SBA should be that agency that should be out there with that data. Doing the—overlooking training, ensuring that veterans are—the other agencies are meeting their procurement goals. And be there instructing the contract officers from the various agencies.

And if there is a problem like the rule of two or set asides, this is what they deal with. They deal with all those programs. So it just makes sense that would be more forthcoming in being more assertive in ensuring that veterans are taken care of.

Ms. HERSETH SANDLIN. Thank you. Any final comments?

Mr. WYNN. Yeah. I would like to comment on that too. It was—I mean, for—it has been our thought also that the SBA having the expertise and knowledge in small business, providing training, outreach, and assistance to all small business owners, that it made sense for them to be the lead agency to oversee the implementation of the strategic plans, the Executive Order, and so forth.

But we are quite disappointed in the fact that it has taken so long for them to seem—seemingly be able to carry out their direction under the Executive Order.

As I mentioned in my testimony, I was quite pleased when the new administrator came in and began to speak so favorably about complying with the Executive Order in addressing the unmet needs of veteran business owners.

But once again, you know, seemingly the ball has gotten dropped, because it just does not seem to be happening. I am a firm believer that at this point in any way, if the Executive Order was fully complied with and carried out, that we would see more progress across all of the agencies.

And if—at the moment, that is SBA's role to oversee that. If, however—I don't want to suggest that we change the government structure. But if there is another agency that, perhaps, would feel better assuming that role, then let them come forward.

Ms. HERSETH SANDLIN. Well, thank you all for your testimony today.

Mr. BOOZMAN. Could I just say—

Ms. HERSETH SANDLIN. Mr. Boozman, yes, your comments and questions.

Mr. BOOZMAN. We need to move on, and I don't have a question. But in talking to my trusted counsel here, Madam Chair, the—I think he makes a very good point.

VA is doing a good job, they are working hard to do that. And part of the reason is that this Subcommittee has been working with them. And I genuinely believe that they want to get this done, for a number of different reasons.

We have to do a much better job, though, of working with the authorizing committees of the various agencies. They have jurisdiction over these people, they have oversight.

So, if Interior is not doing a good job, you all need to help us do this, because you have got the ability help greatly.

But we need an oversight hearing in Interior about why the Department of the Interior is not conforming to the Presidential mandate. The same is true of Transportation. I am on the Transportation Committee. Congressman Hall is on Transportation. Congresswoman Herseth Sandlin is on Agriculture.

I need to push on the Transportation Committee to have a hearing, an oversight hearing, as to why the Department of Transportation is not fulfilling the three-percent set aside. And so we can help with that—we will push as a Committee to maybe inform those other Committee staff and the Members. And then we ourselves can push for that.

You all have the ability and the Veteran Service Organizations, the various groups that are helping us push this forward, you have the ability to meet with those Chairmen and Ranking Members. And that would be very, very helpful. Perhaps we can all kind of coordinate that with staff. And try and get some of that done.

Thank you.

Mr. HILLEMAN. Thank you, Congressman. We would be happy to work with your office.

Ms. HERSETH SANDLIN. Thank you again. We appreciate the testimony and your service on behalf of our Nation's veterans serving as effective advocates.

I would now like to thank all of the gentlemen for being here. Your written statements will be made part of the record today. We ask you that you keep your testimony to 5 minutes, so that we can get to our questions.

Mr. Elmore, we will start with you.

STATEMENTS OF WILLIAM D. ELMORE, ASSOCIATE ADMINISTRATOR, OFFICE OF VETERANS BUSINESS DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION; LOUIS J. CELLI, JR., CHAIRMAN, ADVISORY COMMITTEE FOR VETERANS BUSINESS AFFAIRS, U.S. SMALL BUSINESS ADMINISTRATION, AND CHIEF EXECUTIVE OFFICER, NORTHEAST VETERANS BUSINESS RESOURCE CENTER; SCOTT F. DENNISTON, DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION AND CENTER FOR VETERANS ENTERPRISE, U.S. DEPARTMENT OF VETERANS AFFAIRS; PAUL A. DENETT, ADMINISTRATOR, OFFICE OF FEDERAL PROCUREMENT POLICY, OFFICE OF MANAGEMENT AND BUDGET; CHARLES CERVANTES, SPECIAL ASSISTANT TO THE DIRECTOR, OFFICE OF SMALL BUSINESS PROGRAMS, OFFICE OF THE UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY AND LOGISTICS, U.S. DEPARTMENT OF DEFENSE

STATEMENT OF WILLIAM D. ELMORE

Mr. ELMORE. Thank you. Chairwoman Herseth Sandlin, Ranking Member Boozman, and distinguished Members of the Subcommittee, thank you for the opportunity to appear before you today to share information on the activities of the U.S. Small Business Administration regarding our efforts to assist and support Federal procurement opportunities and success of veterans, including those who have incurred a service-connected disability.

I am William Elmore, the Associate Administrator for Veterans Business Development. And I am pleased to be here today representing Administrator Preston and other SBA employees who work every day to support the small business success of America's veterans, reservists, and family members.

The mission of the Office of Veterans Business Development is to maximize the applicability, availability, and usability of all Administration small business programs for veterans, service-disabled veterans, reserve component members of the U.S. Military, and for their dependents or survivors.

SBA's efforts to support veterans entrepreneurship goes significantly beyond the activities of my office. Each program at SBA is tasked with expanding and improving their services specifically for veterans and service-disabled veterans.

Thus far, the results we think, have been good. The number of new loans being made to veterans has increased significantly, growing from 4,800 in fiscal year 2000 to approximately 8,000 in fiscal year 2006.

SBA business outreach, counseling, and training services assist more than 100,000 veterans, reservists, active servicemembers and spouses each year, including the growth of special outreach and coordination efforts through our district and our regional offices.

Federal procurement opportunity for veterans is an important issue to SBA. I am pleased to be sharing with you some of the initiatives and accomplishments the SBA has made over the past 6 years.

As expressed in the January 24th, 2007, Memorandum for Heads of Departments and Agencies, jointly issued by Administrator Preston and Office of Federal Procurement Policy Administrator Denett, the Administration is broadly committed to enhancing all of our entrepreneurial programs and services for veterans and reservists returning from duty in the Global War on Terror, and more specifically for those servicemembers injured or disabled in service to America.

Prime contracts have a three-percent government-wide procurement goal, and for veterans, there is a "best efforts" clause in small business subcontracting.

Though the Federal Government has yet to achieve the required 3 percent goal, it is making progress toward accomplishing it.

In 2004, President Bush issued Executive Order 13360 to strengthen procurement opportunities in Federal contracting for Service-Disabled Veteran-Owned Small Businesses.

The General Services Administration established the Veterans Technology Services Government-wide Acquisition Contract based on that order. VETS is a IT contract designed to help Federal agencies meet their three-percent goal by purchasing information technology solutions from SDVOBs.

Preliminary data does show that both SBA and the Department of Veterans Affairs exceeded our three-percent goals for SDVOBs in fiscal year 2006, with SBA achieving more than 4 percent. This example demonstrates leadership by example. And represents a significant improvement for both agencies over our fiscal year 2005 achievements.

We are currently reviewing the final fiscal year 2006 report from the Federal Procurement Data System, and the preliminary data suggests significant efforts toward an improvement in achieving the three-percent goal.

This reflects the ongoing SBA efforts and the efforts of most Federal agencies. It also demonstrates the increasing ability of Service-Disabled Veteran-Owned Small Businesses in pursuing contracting opportunities and in securing contracts.

On July 9, 2007, the number of small businesses owned by service-disabled veterans expressing interest in Federal procurement in CCR was 9,642. The number of veteran-owned small businesses was 37,282.

While SBA is analyzing what agencies are buying and comparing that to what SDVOSB's are selling, we are also strengthening the full range of SBA programs.

In addition, we are working with the Department of Defense and the Department of Labor to enhance our involvement in TURBO TAP, in efforts to improve small business opportunity and employment support for returning veterans and reservists, and we are assisting various components of DoD in other planning initiatives.

At the request of both SBA and the veterans community, the Census Bureau included veteran and service-disabled veteran questions in the 2002 survey of small business owners.

This survey found that approximately 0.7 percent of small businesses in America are owned by service-disabled veterans, and approximately 14 percent of all small businesses are owned by veterans.

The 2002 statistics recently released by the Census Bureau indicate that 2.6 percent of veteran-owned firms sell to the Federal Government, while only 2 percent of all firms take advantage of this Federal marketplace.

These findings reinforce our efforts to strengthen the full breadth of SBA programs and services specifically for service-disabled veterans and all veteran business owners. We are strongly committed to working with all of our programs and with all of our Federal agency counterparts to reach out to and help create more veteran-owned small businesses. And to make use of their talents and services in Federal procurement, in strengthening the American economy, and in strengthening America's involvement in the interational economy.

This concludes my comments. And I welcome any questions. Thank you.

[The prepared statement of Mr. Elmore appears on p. 76.]

Ms. HERSETH SANDLIN. Thank you.

Mr. Celli, you are now recognized for 5 minutes.

STATEMENT OF LOUIS J. CELLI, JR.

Mr. CELLI. Thank you and good afternoon Chairwoman Herseth Sandlin, Ranking Member Boozman, and Members of this Subcommittee.

I would especially like to thank Congressman Boozman for recognizing my testimony ahead of time. And for the comments that he made, because I would like to reinforce those comments now.

And it is an honor to be here. I am not a paid participant. I don't get paid to be here. I am not a paid Member of the SBA's Committee on Veterans Affairs. I am an advocate for veterans. And I do that through a non-profit organization.

So when I come here, and I represent the 15 percent—15 percent of business owners of America. I do that, because it is important.

So I thank you for holding this hearing and for continuing to hold these hearings. And I think it is very important.

I will skip over most of the stuff that has already been said, because I know that we are going to get to questions afterward.

I will introduce myself. My name is Louis Celli. I am a 22-year retired Master Sergeant from the United States Army. I also serve as the Chairman of the SBA's Veterans Small Business Advisory Committee. And I also serve on the American Legion's National Small Business Task Force as the Vice Chairman.

Again, as I have said earlier, everything that you have heard today, you have received all the statistics. It is common knowledge. As you stated ahead of time, you already understand the regulations the way that they have been written. You understand what the rules are. That is why we are here.

The question that you are asking today is how do we fix it? While the agencies continue to scuff their feet, and wring their hands, and say "Gee, we're trying," they publish strategic plans. And as part of my testimony, I have included an example of one of those strategic plans. And the strategic plan was implemented 5 years after the law was set into place. And it is a 5-year strategic plan.

And one thing that I would like to point out, as everybody has copies of this, if you look within that strategic plan, nowhere does it say that we will meet the goal. So where is the emphasis?

The real problem is that over the past 6 years, the SBA has been summarily disassembled. It has been whittled down to what is now a little more than a skeleton crew, with barely enough employees to handle the other parts of their mission, which is loan underwriting and disaster assistance.

From an agency of 3 primary departments and more than 3,000 employees, with an annual budget of more than a billion dollars to the crippled down agency that it is today having lost over a third of their workforce.

Unfortunately, what didn't go away was the administrative duties still required on a daily basis to run the SBA and the real world disaster mission. What falls behind is the mission of training, advocacy, support, contracting oversight. And as we all know, in government it is true, size does matter. The bigger the agency you are, the more authority you have and the more power you have.

I have served as a Federal employee, as a military member, and as an advisor to Congressional staff and a small business consultant. I have seen firsthand the reactionary nature of bureaucracies.

And I understand why diverting funds away from the SBA seemed to be necessary at the time. But as I testify before you here today, my professional advice, my advice as a business consultant, is to recommit and restore these funds to the SBA to its full strength before it is too late.

When the economy is robust, it is our nature to relax. This is how the SBA became decrepit. But as any good businessowner knows, they—you not only have to run your business, but you also have to be an economist. And you need to be able to predict the future trends as they are going—if you are going to stay in business.

And if you, Congress, want to save or grow small businesses in America, service-disabled businesses, women-owned businesses, minority-owned businesses, socially disadvantaged, Hub Zone, all of them, then you are going to need to act now and restore the SBA to its full complement. If we wait until small businesses begin to decline, at that point it is going to be too late.

A properly strengthened SBA can train, educate—train and educate contracting officers, intervene in bundling and large versus small business competition decisions, assist and train in service-disabled veteran-owned business, aggressively pursue agency small business correction plans, monitor and hold accountable prime contractor's small business and subcontracting plans, preside over award disputes, monitor and maintain the program and hold agencies accountable.

So you will have one agency to drag onto the carpet when the wheels fall off the cart, rather than trying to chase down all the agencies individually.

One suggestion I have is to establish a “Veterans Small Business and Entrepreneurship Subcommittee” within the Congress. Veterans entrepreneurship has become a project, which is currently being addressed by at least 4 separate Senate and 4 separate House Committees. Much of this work is commonly themed. But much of it is diametrically opposed. The Veterans Small Business and Entrepreneurship Act of 1999 discusses at least 3 different Committees who have direct involvement in the program. Yet there is no common ground and no working Committee.

I am currently working with the Veterans Administration and the Compensated Work Therapy Program under a special project called the Veterans Construction Team. The project is an anomaly within the VA and allows for the VA and this particular project to go out and get contracts with the VA, almost as a small business.

The reason that I bring this up is because half the project is educating veterans and putting them through this progress—through this program. But the other half of the program—the other half of the program or the other half of the challenge is educating the contracting officers as to why they need to hire service-disabled veterans in the first place.

I probably had to explain Public Law 109–461 to more VA contracting officers as we go through this program than I have at veterans conferences to veterans. When I spoke with contracting officers at the Immigration and Border Protection, I was told that the education portion of contracting wasn't their responsibility when it came to educating their contracting officers. It was the responsibility of the SBA.

So here you have agencies that take no responsibility for educating their own contracting staff to meet the goals of the Service-Disabled Veteran-Business Owner initiative and its agencies.

The SBA, who is underfunded and powerless to do anything about it, because their resources are committed to more immediate matters. Yet the authority and responsibility still resides with the SBA. That is why they were created.

Madame Chairwoman, Ranking Member Boozman, if you want to address the issue of meeting our 3 percent obligation to service-disabled veterans in the United States of America, you are going to have to do it by funding it and reconstituting the SBA.

I would be happy to answer any questions at the end of the panel's testimony. Thank you.

[The prepared statement of Mr. Celli appears on p. 77.]

Ms. HERSETH SANDLIN. Thank you. Based on your recommendation, we will certainly be visiting with Chairwoman Nydia Velázquez with the Small Business Committee. I am sure you have shared some of your thoughts with her as well in some of the hearings that have been held there in both the full Committee and the Subcommittees.

Mr. Denniston, we welcome you and welcome your testimony. You are recognized for 5 minutes.

STATEMENT OF SCOTT F. DENNISTON

Mr. DENNISTON. Good afternoon. Thank you. Madame Chairwoman, Ranking Member Boozman, and Mr. Hall, thank you for convening this hearing.

Ms. HERSETH SANDLIN. And could you pull the microphone a little bit closer to you.

Mr. DENNISTON. Of course. How is that? Better.

Ms. HERSETH SANDLIN. I think so. Make sure that that is—

Mr. DENNISTON. The green light is going on.

Much progress has been made since May 17th, 2000, where we had another hearing on this same subject. On June 14th, the VA and the Veterans Entrepreneurship Task Force conducted the first Veterans in Business in Accountability Conference on measures agencies were taking to implement Executive Order 13360.

Officials from 6 large Federal agencies addressed business owners and advocates about their progress and their future plans. Representatives from Northrop Grumman, IBM, and Science Applications International Corporation (SAIC) addressed corporate buying practices and offered owners marketing advice.

Afternoon action groups focused on Federal prime contracting procedures, subcontracting barriers, status of Executive Order 13360 strategic plans, and the education needs for Federal officials and business owners.

We've recognized program leaders through our Annual Champions of Veterans Enterprise Award Program. This year we had a record number of honorees. Our ceremonies were conducted on June 14th and June 27th. In total, 12 Federal agencies were recognized for their efforts, as were 5 prime contractors.

We just returned from the Third National Veterans Small Business Conference held from June 25th through 28th. This program set an attendance record with more than 1,300 participants.

These events provide the community with multiple forums to come together to tackle issues. These issues are solvable, as we will address today. More importantly, the advocates, the government

agencies, and business owners are united in support of our Global War on Terror heroes.

The 3 percent goal for Service-Disabled Veteran-Owned Small Businesses needs to be achieved across the government. A few initiatives that would contribute immeasurably, in our opinion, include more early acquisition planning tools, such as sources sought notices, more pre-solicitation notices in FedBizOpps electronic posting system, improved acquisition planning, better definition of requirements, and improved evaluation procedures.

Together, these actions would shorten award cycle times, which would help all small business owners.

In addition, more coordinated—more coordination by Federal agencies and prime contractors is needed in their outreach efforts.

The Procurement Technical Assistance Centers (PTAC), funded by the Defense Logistics Agency, are an outstanding resource for owner training. PTAC staffs have contacted local Federal offices and prime contractors. Many centers organize at least one procurement conference a year.

As you know, VA exceeded the 3 percent service-disabled vet goal in 2006. Our procurement budget was \$10.3 billion. We spent \$346 million or 3.83 percent with service-disabled veterans. We spent \$651 million or 6.35 percent of our total procurement with veteran-owned small businesses.

Quite simply, VA met the goal, because we have the collective will to do so. Throughout our department of over 230,000 employees, we do not want to simply achieve the goal. We expect to exceed it.

Deputy Secretary Mansfield is the Department's Senior Oversight Official for the Executive Order. In his capacity, he directed that performance plans for key VA executives be modified to ensure that our leadership is meeting the 3 percent service-disabled vet goal.

In addition, he requires that senior leaders personally report progress in supporting all small business programs during our monthly senior managers' meetings.

The VA actively places sources sought pre-solicitation notices in service-disabled vet set-aside notices in FedBizOpps.

On June 20th, 2007, VA implemented our Veterans First Buying Program, as authorized by Public Law 109-461. This law gives VA unique authority to purchase from Service-Disabled Veteran-Owned Small Businesses. It also provides opportunities for veteran-owned small businesses.

Progress in the Service-Disabled Veteran Business Program is underway. Last month's Accountability Conference provided an opportunity for diverse groups to discuss their challenges.

"Hats off" to Mr. Ron Poussard and his team at the Air Force Small Business Office. They stayed the entire day. They collaborated on problem solving with business owners and advocates.

At the National Conference, Tracy Pinson, Director of the Army's Office of Small Business, announced that Army is forecasting \$1.8 billion to be spent with service-disabled vets over the next 12 months. Ms. Pinson has asked VA's Center for Veterans Enterprise (CVE) to partner with her to ensure business owners are aware of these opportunities.

The CVE supports Federal agencies and business owners. These services include free market research, collaborative conference sponsorship, communications with industry through our VetBiz.gov vendor information pages database, and other support as desired.

The VA cosponsors many business conferences with other organizations. VA, Army, and other agencies organized the National Veterans Business Conference.

On July 25th, the VA, Army and Navy will jointly support a Base Realignment and Closure (BRAC) conference here in the Nation's Capital to provide owners with advanced information about procurement opportunities associated with base realignment actions from 2008 to 2012.

In addition, CVE maintains a help desk for business owners and others who have questions about the Veterans Entrepreneurship and Small Business Development Act.

We also provide information about VA's unique procurement authority and other programs supporting entrepreneurship, such as our partnership with the International Franchise Association. CVE utilizes volunteers in Federal agencies and corporations as our local resources.

The strongest sentiment expressed since we last met in May is a memory from the Accountability Conference. After participating in several hours of action group dialog, a very young owner said to the founders of the program, Vietnam generation veterans, "I appreciate everything you have done to clear the way for my business."

This is the current state of Federal Veterans Entrepreneurship Programs. We have reached a moment in which we have some very robust businesses with good revenues and good experience.

It is now time to step forward and support our Global War on Terror heroes as they create their futures, as employees and business owners.

Madame Chair, let me say that we in the VA appreciate what each of you on this Subcommittee has done to improve the economic opportunities for all veterans.

So on behalf of VA, thank you for your efforts. That concludes my comments. I would be happy to answer any questions.

[The prepared statement of Mr. Denniston appears on p. 89.]

Ms. HERSETH SANDLIN. Thank you, Mr. Denniston.

Mr. Denett, we are pleased you are with us today. We look forward to your testimony. You are now recognized for 5 minutes.

STATEMENT OF PAUL A. DENETT

Mr. DENETT. Chairwoman Sandlin and Ranking Member Boozman, and Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the current state of Federal procurement and opportunities for veteran-owned small businesses.

My remarks will focus on government-wide efforts to improve opportunities for small business, including small businesses owned and controlled by service-disabled veterans, consistent with my responsibilities as Administrator for the Office of Federal Procurement Policy.

Let me begin by assuring you that my office is committed to providing maximum opportunity for small businesses in Federal contracting and subcontracting.

In January 2007, Small Business Administrator Steve Preston and I sent a memorandum to the heads of departments and agencies, highlighting some of the progress we have made and urging agencies to do more to create contracting opportunities for service-disabled veterans.

I am well aware that small business accounts for half of America's overall employment. And that small business creates the overwhelming majority of new jobs in this country.

As an Army veteran, one of the first actions I took upon becoming Administrator for Federal Procurement Policy was to create a Deputy Administrator position, with responsibility for small business contracting and all the special emphasis programs.

This emphasizes the importance my office places on working with the Small Business Administration and Departments and agencies to meet the objectives of the Administration's small business agenda and to create an environment where small businesses can flourish.

Some of the actions we are taking to achieve these results are described below.

Small Business and Veteran-Owned Small Business Procurement:

I am pleased to say that in fiscal year 2005, the Federal Government awarded \$79 billion in prime contracts to small business. That represents a \$10 billion increase from the previous year. Contracting opportunities increased for all statutory types of small business.

In October 2004, the President signed Executive Order 13360, requiring agencies to take several actions to significantly increase contracting opportunities for service-disabled veterans.

In fiscal year 2005, contracts to small businesses owned and controlled by service-disabled vets increased significantly, reaching \$1.9 billion, up from \$1.2 billion in fiscal year 2004. That represents an increase of 58 percent. Real progress has been made. But much more efforts are underway and more needs to be done.

Although official government-wide small business data has not been released by SBA for fiscal year 2006, we understand that preliminary data indicates that both SBA and the Department of Veterans Affairs exceeded the 3 percent goal for contracts with Service-Disabled Veteran-Owned Small Businesses.

The General Services Administration recently announced contract awards to 44 Service-Disabled Veteran-Owned Small Business, with a potential value of over \$5 billion, under GSA's Veterans Technology Services government-wide acquisition contract.

This week, I sent a memorandum to department and agency chief acquisition officers and senior procurement executives, urging them to review their agencies' information technology requirements and the services provided by service-disabled veterans under the VETS contract to determine if the contract can meet their needs.

I recently had the privilege of speaking to service-disabled veterans who were awarded contracts under the VETS GWAC, and I was impressed with their diligence and the quality of the service

that they provide. I vowed to encourage the departments and agencies to use these contracts.

We expect Federal contracting with service-disabled veterans to continue to increase as departments and agencies use the VETS contract to meet various information technology requirements. Agencies are also using other contracts to increase opportunities for service-disabled vets.

I understand that GSA used its Streamlined Technology Acquisition Resource GWAC to award a \$200 million contract to Catapult Technology, a service-disabled veteran-owned contractor that also is recognized under SBA's 8(a) business development program.

Under that contract, Catapult will create an enterprise-wide technology infrastructure for GSA's new Federal Acquisition Service. Catapult was recently awarded a contract under the VETS GWAC as well.

Federal Acquisition Regulations, FAR, Small Business Team:

On March 2, 2007, we formed a FAR Small Business Team to focus on small business issues and coordinate with the Small Business Administration on concurrent SBA and FAR rulemaking.

Usually in the past, corresponding SBA and FAR rules were promulgated consecutively. This lengthened the rulemaking process, sometimes doubling it.

Small Business Procurement Scorecard:

My office has been working with SBA to develop a scorecard to help agencies focus on increasing opportunities. Last November, SBA Administrator Steve Preston and I sent letters to the heads of departments and major procuring agencies announcing the Small Business Procurement Scorecard, and advising agencies that their progress and status on small business contracting would be scored in fiscal year 2007. I understand that SBA plans on using the Scorecard and the data to score agencies on their small business procurement achievements this summer.

Small Business Data:

We rely upon data submitted by the departments and agencies to the Federal Procurement Data System (FPDS), the official repository for Federal procurement and small business contract information.

Each Department and agency is responsible for submitting accurate data to FPDS and verifying the accuracy of such data.

On March 9th, 2007, I sent a memorandum to the Chief Acquisition Officers requiring that they establish agency-wide, statistically-valid, procurement data verification and validation procedures and provide a certification of data accuracy and completeness to GSA and myself.

Ms. HERSETH SANDLIN. Mr. Denett, I may have to ask you to summarize, because—

Mr. DENETT. Okay.

Ms. HERSETH SANDLIN [continuing]. Mr. Boozman has to be at another commitment as well.

Mr. DENETT. All right.

Ms. HERSETH SANDLIN. Okay.

Mr. DENETT. To help improve future small business data, SBA and my office developed a regulation that requires small businesses to recertify their size during the performance of a contract.

That is all I have. And I will be willing to answer any questions that the panel may have for me. Thank you.

[The prepared statement of Mr. Denett appears on p. 93.]

Ms. HERSETH SANDLIN. Okay. Thank you. Your full written statement is made part of the record, and we appreciate the testimony.

Mr. Cervantes is welcomed. You are now recognized for 5 minutes.

STATEMENT OF CHARLES CERVANTES

Mr. CERVANTES. Thank you. Good afternoon Madam Chair, Ranking Member Boozman, service-disabled veteran-owned companies who testified earlier, veteran service organizations.

You have convened all the stakeholders that are involved in this. And I am glad that we are all here together. I have worked as a team with Scott early on in developing our strategic plans, and certainly with Bill Elmore. And I have had many of these companies in the office. And I am proud to say that Oak Grove was our first Mentor-Protégé. They were a Nunn-Perry winner. And they are the recipient of a—I believe it is a \$38 million DoD contract.

There are 3 parts to my presentation. They are different than my written testimony. The history is, and I hope this clarifies for Ranking Member Boozman, the tools that we have. We operate in the—the acquisition community operates with FAR. That is the touch tone by which they make awards. Certainly the Executive Order is one that we took very seriously.

We immediately developed the training program with DAU. I think we have had over 1,100 people take it. And we have had a number of training sessions with the acquisition community, most recently on May 22nd.

We invited the General Services Administration to come to our Small Business Training Conference and trained over 100 of our acquisition officers on the GSA Veterans IT Set Aside.

The plan, as had been discussed, is a 5-year plan. We look at it. We look at lessons learned. We look at success stories. And we adjust it. Now, I will get back to the adjustments on the third year of that plan later.

What has happened recently, I would say in the last two months, are a number of senior level policy memoranda that have gone out. I would start out first by the letter from Secretary Gates to Senator Kerry. Certainly Under Secretary Krieg with his memorandum on participation in the GSA GWAC with vigor—with vigor.

The other memoranda, which we have made reference to in the written testimony, are from our Chief Policy Advisor for Procurement, and that is Shay Assad. He points out that we must use the set aside and sole source authority more effectively. And our new Director, Mr. Anthony Martoccia, has also sent out a memorandum to all the major commands. So we do have that policy push from the top.

I would also add that in terms of commitment, Dr. Finley, who is the person most involved at this time at senior level management, has participated as a keynote speaker in our DoD conference in Dallas in December. Veterans doing business with the Department of Defense as part of our training, we posted 42 PowerPoint presentations on our website. It is a very robust website. We have,

for example, 3 large prime contractors who said this is how you can subcontract with us. They are members of the executive team from the corporate office. They drilled down to the office. The particular individual, the email address if you want a subcontract.

We also have 8 video streaming videos with regard to Mentor-Protégé, surety bonding. And why am I saying this? Because it is very expensive for a small business to take a week off and travel. It is very expensive. They have to make decisions. And as a former small businessowner, I know. If you are out of the office a week, something is going to go wrong. So we are trying to make distance learning on our website a lot more robust and a lot more to the point.

Our new thinking. If you—our plan is transparent. We have submitted a copy to you. There are two areas we have met. And we met with various veteran service organizations. Whether it is Rick Weidman, or whether it is Joe Wynn, or Joe Sharpe, they have been in our office. We have had meetings with senior management on where to go. Help us. We all have to work together. It is something we can't do alone.

So kind of the kernels of our new thinking are we thought that simply increasing the number of service-disabled veterans in the CCR would be a solution.

There is a corollary. If you look at our numbers, there was a big spike from 2004. We did \$428 million to unverified reports. But we are looking at \$1.6 billion. So that is a very nice corollary.

It is not enough. So we have changed our objection one to say we have got to look at more databases including Scott's, including a number of databases, to see if we can mine and bring in more into the supplier base.

Secondly, we—and I agree with Scott that we have to do that market research, so that those contracts can be set aside. And it has to be done early enough in the process. It is too late by the time that solicitation is on the street, especially if you are going to do some teaming.

I will leave you—I see my time is up—with what I consider to be a success story that hasn't been publicized. But I got a call last week, a company out in Washington State. He says, "Look, I found another service-disabled veteran to set aside a contract under the rule of two." They hadn't done it. They decided they were going to do it. They set it aside. He lost.

But guess what? The other service-disabled veteran that he brought in that was capable of delivering the services at a reasonable market price got it. So he said, "This was for the good of the whole."

And so we are all here together. And we want to work out what works and what doesn't. Our plan is transparent. And you have a copy. So thank you very much.

[The prepared statement of Mr. Cervantes appears on p. 95.]

Ms. HERSETH SANDLIN. Thank you very much. I would like to recognize the Ranking Member for questions for the panel.

Mr. BOOZMAN. Thank you, Madam Chair, very much. Again, I want to thank all of you for being here and testifying. The testimony was very helpful.

The other thing is that I genuinely believe that you all are trying to do the right thing. And this is a difficult thing to do. And yet it is something that this Subcommittee is committed to. It is something that Congress is committed to. And it is evident that the President is committed to doing this.

So it is just something that helping each other we can get done. So I appreciate the Chair for having the hearing today. I think it is excellent.

Mr. Elmore, part of the President's directive, as I understand, was that there would—the agencies would list a senior-level official to be in charge. Can you send us over a copy of that list?

Mr. ELMORE. Yes, sir.

[The following information was provided by the SBA.]

Response: Designated Senior Level Officials list.

- SBA: Joanie F. Newhart, Senior Procurement Executive
- Department of Commerce: Albert Sligh, Director Office of Acquisition Management and Financial Assistance and Procurement Executive
- Smithsonian Institution: Dorothy A. Leffler, Director Office of Contracting
- Department of State: Rajkumar Chellaraj, Assist. Secretary for Administration
- Department of Treasury: Thomas Sharpe, Jr., Senior Procurement Officer (SPE)
- Department of Housing and Urban Development: Roy A. Bernardi, Deputy Secretary

Mr. BOOZMAN. That would be helpful. Also, Mr. Elmore, would you personally support and recommend to the SBA Administrator that SBA submit legislation to expand the small business provisions in section 503 and 503 of P.L. 109-461 to the entire Federal Government? Would you be supportive of that expansion?

Mr. ELMORE. I can tell you there is no Administration position on that sort of a recommendation. But I personally do support that recommendation. And have made that clear. And will make it clear once again to my administrator.

Mr. BOOZMAN. Good. Thank you very much.

Mr. Denniston, thank you for being here. I was going to say that some of you had sacrificed by actually cutting your vacations short and coming from the beach. And I was going to say we could tell by the guy that has got the best tan. So we appreciate your sacrifice.

But set-aside contracts are just part of the total VA purchasing. Do you feel that the VA has a good understanding of its total procurement?

Mr. DENNISTON. I think we—I think we have a good understanding of our total procurement. The challenge that we have at the VA is, as you know, we do millions of transactions a year, because VA is one of the agencies that still does a lot of small procurement.

The challenge that we have is ensuring that everything that we buy gets reported. I think that those things that get reported, we are very good at making sure they get categorized in the proper socioeconomic category.

Again, because we work with so many, we review that on a monthly basis. And we do it by an exception basis. We look for those anomalies. And quite frankly, yep, we have situations where a \$250,000 requirement is identified as a \$2.5 billion requirement.

Those are easy to find. And then we can make the corrections that are necessary.

The challenge we have is, again, going through those millions of transactions that we have to make sure that they are accurate, that they are timely, and that all the ones that should be reported in by the rules that we operate under do get that way.

That is a continuing challenge I would think for every agency.

Mr. BOOZMAN. Thank you very much.

Mr. Cervantes—

Mr. CERVANTES. Yes, sir.

Mr. BOOZMAN. Again, I appreciate your testimony, and that was helpful. Let me just ask you, recently a departed official in DoD Small Business Office stated that during a meeting with veteran small business advocates that DoD did not believe the three-percent goal applied to each individual Federal agency. And that DoD was free to set its own procurement goals at a lesser amount. That is not your opinion or—

Mr. CERVANTES. No, no. Neither is that—

Mr. BOOZMAN [continuing]. DoDs or—

Mr. CERVANTES. Anything that is in writing that has been submitted to you from the Secretary and all of the Under Secretaries on down.

Mr. BOOZMAN. Okay. So you can assure us that that is not the case?

Mr. CERVANTES. Yes, absolutely.

Mr. BOOZMAN. Very well. I have got a number of things that I would like to submit in writing if that is okay. And, again, I appreciate you being here. And we really are committed to moving this forward. And we will help you any way that we can.

You get yourselves in situations where you have 3 things going at the same time. And I have got another thing that I have just got to be at in a few minutes.

[No questions were submitted.]

So, again, thank you very much.

Ms. HERSETH SANDLIN. Thank you, Mr. Boozman.

I am going to submit a number of my questions in writing to you as well. In part, in anticipation of another hearing that I anticipate scheduling that—there is so much information that is being provided that I think we need to target even more in our hearings based on the information that we got back in May and now at this one. So that we can continue to make progress. And as you say, Mr. Cervantes, “Work together to accomplish the goal.”

Despite the progress that is being made, we are not meeting the goal. And we haven’t been meeting the goal for years. I think that point was made by Mr. Jimenez in the first panel, and I think Mr. Cervantes you said you used to be a small businessowner, right?

Mr. CERVANTES. Yes, I was.

Ms. HERSETH SANDLIN. We know how important implementing these laws are to the decision that our servicemembers are making when they choose to go into small business.

Let me start with you, Mr. Elmore. How many agencies are at less than 1 percent in meeting their three-percent set aside?

Mr. ELMORE. Off the top of my head, I can't give you the number on the list for 2005 or 2006. I can tell you that the 2006 data will be out within the next two weeks.

Ms. HERSETH SANDLIN. Okay. You can hopefully have that by the end of July at the latest.

Mr. ELMORE. That is what we believe. Yes, ma'am.

Ms. HERSETH SANDLIN. Okay. Will that give us a clear listing of the agencies that are at less than 1 percent?

Mr. ELMORE. Right.

Ms. HERSETH SANDLIN. Would you then be able to provide us with the agencies that have been at that level, less than 1 percent, for the past 5 years and the past 10 years? Do you have the data to provide us that list?

Mr. ELMORE. We can go back—we can go back the past 5 years. We can't go back the past 10 years, because there was no data collection for veterans or—

Ms. HERSETH SANDLIN. Right.

Mr. ELMORE [continuing]. Service-disabled veterans.

Ms. HERSETH SANDLIN. Okay. Well—

Mr. ELMORE. I believe it would—I believe it was fiscal year 2001 when we implemented the initial rules.

Ms. HERSETH SANDLIN. Well just use the past 5 years initially. There may be some other data we can work with in analyzing, but I think the past 5 years will give us a good start as it relates to the Ranking Member's and my desire to work with other Committees—

Mr. ELMORE. Okay.

Ms. HERSETH SANDLIN [continuing]. To raise awareness based on the jurisdiction of those Committees in which agencies have continually fallen way short of the 3 percent goal.

Mr. ELMORE. Can I make sure I am understanding? So you want the list of under one percent, all the way back for 5 years?

Ms. HERSETH SANDLIN. Yes.

Mr. ELMORE. Okay.

Ms. HERSETH SANDLIN. Those that have been at less than 1 percent—

Mr. ELMORE. Okay.

Ms. HERSETH SANDLIN [continuing]. For the past 5 years. In addition to then the 2006 data you will be providing.

Mr. ELMORE. Right, okay.

[The following information was provided by the SBA.]

Response: Please see attached list for FY 2001 through FY 2006.

Note that while FY 2007 FPDS data is not yet certified, preliminary November 27, 2007 data indicated that in FY 2007, the following 11 agencies or departments exceeded or (nearly) achieved their 3 percent goal for SDVOSBs.

VA	(6.9009%)
EPA	(4.1027%)
SBA	(4.2710%)
FCC	(3.0140%)
EEOC	(2.9918%)
FTC	(9.6153%)
RRB	(4.1922%)
NTSB	(17.2171%)
FEC	(3.1164%)
Denali Commission	(4.0236%)
Federal Maritime Commission	(46.7169%)

This same FY 2007 data showed that 64 were below 1 percent.

Ms. HERSETH SANDLIN. On the agencies that have self reported that they are meeting the three-percent set aside there is still some skepticism. I think there is clear acknowledgment that certain agencies are making more progress than others, and may very well be meeting and exceeding the 3 percent.

Do you believe that the three-percent set aside goal is being met by some agencies? Do we need to make any changes to the verification process to assure us of that?

Mr. ELMORE. I do believe there are two agencies that achieved the 3 percent goal in 2006. And that is VA and SBA.

The verification is actually in the process of being changed now. And I think Administrator Denett referenced some of the work that has gone on between OFPP and SBA. The electronic Scorecard for example, which is going to have real-time information available. And we are going to have not just the annual reports on the Executive Order, but also biannual reports from agencies about their progress in all of the various categories. And that is going to be coming live this summer.

But that—putting those processes in place and in motion and making sure that they work is the real challenge.

Ms. HERSETH SANDLIN. I would agree, and will want to work with you to ensure that you have what you need to make sure that implementation happens. I think we will also want to make sure, whether by using electronic scoreboard or some other method, that there isn't double counting.

Mr. ELMORE. Right.

Ms. HERSETH SANDLIN. We need to make sure that the percentages achieved reflect the recertification rule.

Mr. ELMORE. I don't completely understand what is going to result in detail from that new rule. But I have been told by not only small business owners but people who have been in the Federal procurement arena much longer than I have that that new recertification rule is going to go a long way toward opening competition back up to small businesses with some large businesses who have contracts now, because they bought small businesses who had—

Ms. HERSETH SANDLIN. Right.

Mr. ELMORE [continuing]. Contracts.

Ms. HERSETH SANDLIN. Right.

Mr. ELMORE. So these are the kinds of things that the Administrator has put in motion to try to get done. And I might defer as well to Administrator Denett as OFPP, if there is anything in addition to what I have just said that he thinks might be appropriate.

Mr. DENETT. No. I think—we are very concerned about accuracy of data. And I am on a personal crusade to get the departments to look us in the eye and say this data is accurate. And we are having them come up with independent statistically valid methods to do that.

It is really important to us, because we don't know what to do on the executive side. The individual departments are in a quandary. If we don't have accurate data, none of us can do our jobs.

Ms. HERSETH SANDLIN. I appreciate that, and I do think we will want to work with you to get additional information on this recertification requirement. I think it is very important, based on what I have heard from small business owners of all stripes in South Da-

kota. It relates to their ability to compete with these very large companies that acquired small businesses, some of which may have had a contract, some of which didn't.

Mr. DENETT. Right.

Ms. HERSETH SANDLIN. There is a serious unfairness, I think, currently in play. We will look forward to working with you and Chairwoman Nydia Velázquez to deal with that issue.

Let me ask one more question, Mr. Elmore. In the first panel, there was the issue of the loophole in the GSA schedule, as it relates to the threshold. I think it is the \$100,000 threshold.

Do you agree with the need to close that loophole as it relates to ensuring small businesses under that threshold are able to compete?

Mr. ELMORE. I—

Ms. HERSETH SANDLIN. That was 404, Part 8.

[Proper citation for 404, part 8, as referenced above, is: "FAR § 8.404 Use of Federal Supply Schedules."]

Mr. ELMORE. I can't speak for the Administration on that specific question, because I haven't asked that question inside the agency. I will ask that question.

I will tell you that if there is something in the GSA schedule process, and I believe there is, that does allow large businesses to secure contracts below that threshold that should go to small businesses, I would support that change.

Ms. HERSETH SANDLIN. Thank you.

Mr. ELMORE. So let me find that out please.

[The following information was provided by the SBA.]

Response: The Small Business Act (at 15 U.S.C. § 644(j)) and Part 19 of the Federal Acquisition Regulation (FAR) create a set aside for small businesses for acquisitions up to \$100,000. The FAR states that the set aside applies to Federal Supply Schedule contracts at the acquisition planning stage. FAR § 8.101(e). The FAR further provides that the set aside does not apply to orders placed against Federal Supply Schedules contracts. FAR § 8.404(a). In response to a request from the Government Accountability Office (GAO) in the context of a protest, the SBA presented an argument that the set aside should apply to both contracts and orders. The General Services Administration (GSA) presented an argument in the same protest that the FAR's application of the set aside applies to contracts but not orders. The GAO did not rule on this issue because the protest was dismissed on other grounds. The SBA and GSA have met to discuss this issue and will continue working toward a resolution.

Ms. HERSETH SANDLIN. Thank you. I appreciate it.

Mr. Celli, I appreciate your comments with regard to the resources necessary in light of some of the cuts that SBA has experienced over the last few years. But let me move to a couple of other areas for questions.

You gave an example of a conversation with some contracting officers, I believe, with Immigration and Border Security.

Mr. CELLI. Correct.

Ms. HERSETH SANDLIN. Do you think that assuming SBA is adequately resourced, they should be solely responsible for meeting the need of educating all contracting staff?

Mr. CELLI. I think that the SBA should be primarily responsible. I think agencies need to take responsibility themselves. But if the SBA has primary responsibility, they can then hold secondary responsibility accountable. They can hold the agencies responsible

for—they can put in a training plan. And then the SBA can oversee that training plan. They can send down training programs. They can say, you know, here is—they can do similar to what the VA has done with 109461. Here is a PowerPoint presentation. This is what you need to do.

But right now, I mean, aside from coming to venues like this, there is no accountability. As someone had mentioned earlier, there is no one overseeing that. The SBA was designed to do that. That is why the SBA was empowered with procurement center representatives (PCRs). Right now there are—the PCRs are the people who have boots on the ground, that can walk into a contracting facility, to a contracting organization, and say, “Wait a minute, that doesn’t look right. Stop. Let us see what is going on.”

And there are—there are less than one procurement representative per State. And South Dakota doesn’t have one. Arkansas doesn’t have one. These duties are shared by officers in other States.

So there are States that just don’t have any oversight whatsoever, because not only do they not have someone on the ground there, but the person who is responsible for that State doesn’t have the funding to do—for their travel. They expire their travel resources before they can get to all their different areas.

So, yes, I think that the SBA needs to be—you know, needs to be funded in such a way so that they can oversee it. Having primary responsibility, yes. Having the only responsibility, no. I think we all need to take responsibility.

Ms. HERSETH SANDLIN. South Dakota and Arkansas are States that are less populated, and oftentimes at a disadvantage. We finally, with this year’s budget resolution decision, got an SBA office, back open in western South Dakota.

When we are talking about an ability for procurement officers in particular, but any SBA office to identify those individuals who are service-connected disabled, you must have folks on the ground.

This regionalization that has happened has made it—has made it far more difficult in a number of respects to most appropriately and most effectively administer benefits, as well as identify entrepreneurs who can make bids on some of these Federal contracts.

Mr. DENNISTON, you might recall that during the May 17th, 2007, Subcommittee hearing you mentioned the outreach efforts that the Center for Veterans Enterprise has implemented to educate people on the requirements of Public Law 106–50 and Public Law 108–183.

Yet, during the same hearing, Mr. Celli highlighted the lack of knowledge of these laws from procurement officers. Some of that was referenced again today.

What is being done to ensure appropriate personnel is knowledgeable on existing laws and agency policies based on the work that you have been undertaking?

Mr. DENNISTON. The vast majority of the outreach efforts that we have done with the Center for Veteran Enterprise has been to the small business community, as opposed to the Federal contracting community.

Remember, under the Executive Order, the responsibility for training the contracting officers on the service-disabled vet programs rests with DoD and Defense Acquisition University.

And to their credit, as soon as the Executive Order was signed, they had—they had a course up on that. And we have had discussions with them about improving it, so that it is more specific to the day-to-day issues that contracting officers face.

We also have done a number of outreach sessions. As an example, just this week, one of my staff was in California with the Navy small business specialists, training them on 109-461 and the service-disabled vet requirements. And, again, what are the services that we in the CVE can provide.

The real challenge is that there are so many contracting officers in the government that none of us have found the magic bullet for how we train all these people together.

The other challenge is that it is one of culture. Contracting officers have been beaten over the head for the last 20 years to do work with 8(a) companies, the minority companies. They have a good stable of 8(a) companies that they like to work with. Now we come in and we say we want you to change working with those firms. We want you now to work with service-disabled vets, or Hub Zones, or women, or any of the other small business categories that we have.

So the real challenge, as I see it from a veteran's perspective, and this is personally speaking, not speaking for VA, is—we are talking about changing culture. And changing culture in large organizations does not happen overnight.

That is why we measure as an example how many times our contracting office has used the authorities of Public Law 108-183, the set asides and the sole source for a service-disabled vet, because that is how you change culture. You don't change culture by using the 8(a) program, and oh by the way, it happened to be a service-disabled veteran. And I think that is more the issue than anything else.

Ms. HERSETH SANDLIN. Do you think the rule of two should be eliminated?

Mr. DENNISTON. Again, personally, no. And the reason I say that is that the whole basis of Federal contracting is based on competition through the Competition and Contracting Act. And I think any category of small business, if they are going to be successful long term, they need to be able to compete.

Ms. HERSETH SANDLIN. I wouldn't disagree. But is it accurate? I want to make sure we are all working on the same assumptions and the same information.

Mr. Baker identified in the first panel, under the thresholds for products and services, there is sole sourcing going on. No requirements to advertise that actually allows some of these businesses to get a foot in the door perhaps.

Mr. DENNISTON. Right.

Ms. HERSETH SANDLIN. Correct? So while I agree with your statement, under those thresholds, to get those contracts, there isn't necessarily the requirement to compete for the contract.

Mr. DENNISTON. No. I think the real issue from the service-disabled vets standpoint is the fact that the way the laws are written

we put—we place different responsibilities on contracting officers to do a sole source for a service-disabled vet versus an 8(a) company.

Ms. HERSETH SANDLIN. Do you see a problem with that?

Mr. DENNISTON. Yeah, I do.

Ms. HERSETH SANDLIN. Okay.

Mr. DENNISTON. I think what we should have within the small business community is we should have equality of programs. And contracting officers should have some flexibility to choose the program, one that meets their needs. Whatever their mission is. And number two, supports whatever socioeconomic category we are trying to support. And the challenge that contracting officers have with a service-disabled vet program is that we put them through special hurdles and hoops that we don't have in the 8(a) program, or the Hub Zone Program.

So I think from the veteran's perspective, all I think the veterans are asking for is if we are going to have sole source, then let us have the same rules as everybody else.

Ms. HERSETH SANDLIN. Thank you.

Mr. Denett, again, thank you for your testimony. You did state that the Federal Government went from \$1.2 billion to \$1.9 billion in fiscal year 2004 in contracts to the SDVOBs. And that that represented a 58 percent increase. So that is progress.

But how much closer does it get us to meeting the three-percent set aside goal?

Mr. DENETT. Not very. We still have a lot of work to do to get to the 3 percent. And we are anxiously awaiting the release of—from SBA—the new numbers.

I did put out a memo heralding Administrator Doan at GSA and the Commissioner of the Federal Acquisition Service getting out that new IT GWAC for disabled vets. That has a \$5 billion cap. That would help significantly if it was used to the maximum. And I am going to be pushing everybody real hard to use it to the max so that they can get another \$5 billion added.

I think it takes constant vigilance on our part. And I was glad to hear about some of the award and recognition programs that some of the people have.

I have an award program called Shine, where I try to identify people that have accomplished good things in contracting, because we don't hear enough about the good things.

And sitting here today, it occurred to me that I need to initiate getting an award under that Shine Program for the disabled vets. I think that would go a long ways toward getting increased recognition to contracting officers that utilize disabled vets and help spread the word.

Ms. HERSETH SANDLIN. I agree with the award programs that have been put in place and with helping raise the awareness of these goals and the progress we need to make.

Are there any penalties for not reaching the 3 percent? Have you also analyzed from past data which agencies are consistently under 1 percent, or consistently not making any progress, or substantial progress toward the 3 percent? And then, are there any penalties associated with that or targeted efforts by your office to address training or other information that needs to be shared with con-

tracting officers in a particular agency to increase their level of progress?

Mr. DENETT. There are not currently. We are looking. You know, we do have requirements, mandatory training for people that includes being educated on this. DAU has come up with a good course. I think we need to review it to see if we can make it more practical.

I heard today some people talking about refresher courses. Like even if they get exposed to it early, there is no requirement that it be included in refresher training. So I think that is something that I should take a look at and talk with DAU and the Federal Acquisition Institute to see if we could cause that to happen. I think that would be an improvement.

Ms. HERSETH SANDLIN. Thank you.

Mr. Cervantes, I appreciate the strategic plan that you have provided especially the transparency of the plan. It is a 5-year plan, correct?

Mr. CERVANTES. Yes.

Ms. HERSETH SANDLIN. Do you foresee DoD meeting the three-percent goal within the next 5 years?

Mr. CERVANTES. We are very, very hopeful. One of the things we did in this hump year is we looked back 2 years to see what worked and what didn't. And so we adjusted and retuned objective 1 to say we have got to do better market research. And it has to be done in a timely fashion. Consistent with what Scott said, much more eloquently than I did in terms of the cycle of getting it out there early.

And we have adjusted the part 2, which has training. But it really also talks about the training to increase the set asides. So I am talking about how we get there. We are going to go as hard as we can and as fast as we can to get to the 3 percent.

Speculating as to, you know, what numbers we are going to get there, I would be hesitant to say that. And only to say that we are going to go as fast and as hard as we can. Looking at what has happened in the 2½ years of the plan, there was a big spike from—for example, 3,250 transactions to 20,774. And then a spike from 428 million to 1.6 billion.

But we are still way behind, because our budget is so big. We are going to try as hard as we can. But this was the bridge here where we said we really have to look back and see what worked and what didn't work.

We also made some changes in the Mentor-Protégé Program. Even though we went from zero to 19, and we had Oak Grove, which did spectacularly well, received the Nunn-Perry Award, those funds are flattening out. There is just a finite amount of funds. I think it is \$26 million. And they are obligated for 3 years.

So we retooled that one too, I am sorry, to look at where we could go. For example, our analysis of the companies there in the CCR, there are 30 percent that are in services and information technology. So we are looking where are the—where is the supply basis. There are 15 percent in construction, 15 percent in manufacturing. The balance are across the board.

We are trying to drill down to the next code, the North American industrial classification, so that when you do the market research

it is not just let us say in a 5,400 category, which would be information technology for the GSA GWAC. Because within that industry, you have a number of different classifications.

When a solicitation goes out, it may be for 50 or dot, dot, dot. So we are trying—as we say in objective one, use more databases. And we are going to work with Scott vigorously on the Vet Biz, your VIP database, because they have got information in there and companies that we don't—that is not in the CCR.

But we are going to try to do better for the set asides. And that is kind of the central thrust of this third year.

Ms. HERSETH SANDLIN. Okay. What is the timeline that—so it is the third year into the plan that you anticipate completing the coordination with other databases? Or when do you anticipate that?

Mr. CERVANTES. We are starting that now. We have already started that. Dr. Finley signed the third year on June 23rd. I and he addressed the veterans conference about these new initiatives.

Ms. HERSETH SANDLIN. Okay.

Mr. CERVANTES. So with regard to that, there is a year cycle to June 23rd of next year. In between there, we are going to look at new initiatives. I mean, it is not a static progress.

Ms. HERSETH SANDLIN. Right.

Mr. CERVANTES. One area that we haven't looked at, which it could be a big boost, is transportation. If you look at our written testimony, we are looking at setting aside for cemeteries and military hospitals.

So we are—you know, these are initiatives that in the course of the next year we are going to push forward. And we are doing that research right now.

Ms. HERSETH SANDLIN. Okay. We appreciate those initiatives very much. As you mentioned, you do have a very large budget. How many DoD acquisition officials do you currently employ?

Mr. CERVANTES. I don't know that answer. I can get it back to you.

Ms. HERSETH SANDLIN. If you could get it to me.

Mr. CERVANTES. I will do that.

Ms. HERSETH SANDLIN. If you could compare it to how many you have employed over the last 5 years, I want to see if there is any change there. There has been some concern about the workload of different contracting officers in different agencies.

I would like to see historical analysis of the number of contracting officials or acquisition officials that you have.

Then, with the new initiatives that you have been describing, that all of your acquisition officials are getting the information and training, whether it is in the transportation sector or others, and military hospitals that you just described.

Just a couple more questions for you, Mr. Cervantes.

Mr. CERVANTES. Yes.

Ms. HERSETH SANDLIN. In a previous hearing we had on veteran entrepreneurship and self employment, we received testimony that prime contractors were using Service-Disabled Veteran-Owned Small Businesses to obtain a contract with the Federal agency and then dropping the veteran-owned business once they got their contract.

Of the \$717 million in subcontracts that were awarded to SDVOBs last year by DoD prime contractors, how much of this was actually fulfilled? Have you been able to monitor and track whether or not that is happening? And to what degree it is happening?

This is real a concern, and this relates to, outside of DoD, what some large businesses are doing as it relates to the small businesses in the subcontracts. Again, some of the loopholes that we have talked about. But do you—

Mr. CERVANTES. Again, this is one of our 6 objectives, to increase the subcontracting with, in particular, large, prime contractors. And I personally would be very upset if somebody were using service-disabled veteran-owned small business to get a contract and then dropping them. That is not acceptable to me.

The Defense Contract Management Agency (DCMA) is the sub-component within the Department of Defense that monitors that. They negotiate the subcontracting plan. It is—Barbara English is the person who has done that. In fact, she and Scott and I worked on an initiative to get more service-disabled vets contract with the 6 large contractors.

But I will get an answer to you. And I will have to involve DCMA to provide that, since that is within their purview. I will be more than happy to do that.

[The information was provided by DoD in the response to Question #1 from the post-hearing questions for the record, which appear on p. 105.]

Ms. HERSETH SANDLIN. I would appreciate it, because our concern is that the contract is awarded, and then the prime contractor doesn't give the subcontractor the work. And then there is no penalty associated with it. So, again, if—

Mr. CERVANTES. I would be very disturbed if any incident like that occurred.

Ms. HERSETH SANDLIN. Okay. Well, given that we have had anecdotal—

Mr. CERVANTES. Okay.

Ms. HERSETH SANDLIN [continuing]. Evidence provided to us in testimony in prior hearings, we would look forward to working with you just to get to the bottom of that issue.

Mr. CERVANTES. We will get you an answer.

Ms. HERSETH SANDLIN. Let me see. I will submit some other questions to you in writing perhaps, Mr. Cervantes. I do want to ask you one more based on what you just described as initiatives to look at opportunities for contracts for military hospitals and cemeteries.

I believe the Army recently rewarded the security contract for Arlington National Cemetery to a non-SDVOB firm. Do you think it is appropriate that a non-veteran owned firm is hired to guard and maintain the Nation's most sacred of national cemeteries?

Mr. CERVANTES. Well, we are looking into that right now. I think one of the issues in terms of looking at the opportunities in these areas. And certainly the Cemetery, Arlington, is very symbolic.

Military hospitals, we believe, and I have spent time in a military hospital myself, are very important. And those people who are in there can, you know, appreciate maintaining the highest standards of excellence in service.

We have—we have tasked within the Department of Defense—individuals to prepare I guess a white paper or proposal.

One of the problems is that if there is an incumbent, then how do you do that? Do you wait until the option year is up, which would be an opportunity to then work on a set aside so the—we are looking at those types of questions. If there is an incumbent, it is kind of hard to say we are terminating your contract.

But at those points of opportunity where either the contract is terminated or whether there is an option year coming up, then that is what these individuals have been tasked on.

The same with the hospitals. What are the opportunities and when is there going to be an option year where there could be a set aside or when there is a termination of a contract and a new one to be solicited.

So right now inside we have tasked people that are much more expert than I am in the contracting field. I am not a contracting officer. I am just a plain old lawyer. But those activities are going on right now.

Ms. HERSETH SANDLIN. All right. Well, thank you.

Mr. CERVANTES. Thank you.

Ms. HERSETH SANDLIN. Thanks to all of you. I want to state on the record my appreciation of Secretary Gates for initiating what I think is the senior-level policy memoranda that you described over the last couple of months and the leadership from the top.

Each of our agencies, combined with the culture of creativity that Mr. Baker described at the very beginning of his testimony as well as the importance of the Congressional oversight, so that we don't put anyone in a posture of defensiveness but rather in consultation and coordination. Making sure that we are sharing information and that we are getting different perspectives from different stakeholders here in the Federal contracting process.

Also from the perspective, not just of this Committee, but other Committees of jurisdiction and the entire Congressional effort to budget appropriately, that we have adequate resources to meet the needs, especially if there is a shortage of contracting officers, given some of the concerns about workload that we have heard.

We appreciate your time, your patience here. I know we have had a long hearing here today. We look forward working with both staff, minority staff and majority staff. As well as the folks from the previous panels.

And continuing to make the progress that we all know is important in reaching these objectives that are set in law, and have in this case, been followed up with an Executive Order for clarification and setting priorities.

I look forward to continuing to work with you to make that progress.

Yes, Mr. Denett, if you have a final comment.

Mr. DENETT. Madam Chairwoman, I would like to mention, when you talk about the workforce, we have increased that to 28,000, the number of contracting officers we have. So we are increasing the number.

And we have about 9 well-established intern programs that currently have about 1,200 new blood in there, taking in about 500–600 new people a year. The caliber of them we are quite pleased

with, their credentials and their education. And we are encouraging the departments to go ahead and fill all their vacancies now, because we recognize there is an increased workload. And even though we have increased the number of contracting officers over the last few years, we need to make that number even higher.

Ms. HERSETH SANDLIN. Thank you. Let me ask you one followup question based on that issue. In terms of trying to address the workload issue, but then an increase of 28,000, is that over?

Mr. DENETT. An increase to 28,000.

Ms. HERSETH SANDLIN. To 28,000.

Mr. DENETT. Right. That was up from 26,000—

Ms. HERSETH SANDLIN. From 26,000.

Mr. DENETT [continuing]. A few years ago. Yeah.

Ms. HERSETH SANDLIN. Okay. I am sorry I didn't ask you a follow up to the question I asked Mr. Denniston. Do you also agree with the need to streamline and standardize the contracting procedures for the rule of two issue? So that you don't have the service-disabled veteran-owned small businesses and that set aside operating under different rules based on the thresholds that were discussed versus the 8(a) program or other set-aside programs.

Would you agree with the need to streamline and standardize that and not treat the Service-Disabled Veteran-Owned Small Businesses differently as it relates to the requirements of the contracting officers?

Mr. DENETT. I think we would have to talk with SBA and figure out what is the fairest thing to do. I am also responsible and been up here before Committees talking about competition. There is a lot of concern about trying to maximize competition. And the rule of two is driven primarily to make sure there is competition.

However, I recognize what you are saying. Is that fair compared to what is currently done in the 8(a) program. I think that is something that SBA and we have to take a close look at.

Ms. HERSETH SANDLIN. Okay. What are your thoughts on Mr. Gross' comment as it relates to sole sourcing as a bad idea. At least when we can verify that—

Mr. DENETT. There—

Ms. HERSETH SANDLIN [continuing]. There is going to be more than one bid.

Mr. DENETT. I am a strong advocate for competition. If we know there is more than one company that can do it, then I favor competition, because it builds up business skills, it gets the taxpayer better services, better products, better prices.

So I am usually the advocate for competition whenever we can apply it.

Ms. HERSETH SANDLIN. You would acknowledge that there might be some cases, perhaps under certain thresholds, as is currently the case with some of the programs, either for services or products, where sole sourcing might be a good idea

Mr. DENETT. I am not rule—

Ms. HERSETH SANDLIN. I am going—I am taking you down a road here that I wasn't anticipating taking you down. But we can always follow up with you on that as it relates to the broader procurement policies for the other programs that we don't have jurisdiction over.

I would welcome any additional comment you want to make on the sole sourcing issue.

Mr. DENETT. Well, I am saying—all I am saying is I would be willing to look at that with SBA to, you know, take a look at it and try to make sure it is fair.

Because what I have heard here today is it is viewed as the disabled vets are not having the same circumstance or advantage that some of the other socioeconomic programs have.

So I think that is a fair comment and that we ought to take a look at it. And weigh it against the forces that harness the virtues of competition and come out with whatever the best solution is.

Ms. HERSETH SANDLIN. Okay. Thank you. Mr. Celli, do you had a final comment?

Mr. CELLI. Yes, I do, Madam Chairwoman. Thank you. I would like to comment on the rule of two just really quickly. And that is that competition is good. You know, we are in the United States of America. And may the best person win.

But when it comes to small businesses, sometimes they have to be taken care of and they have to be looked after, especially when it comes to now the veteran small businesses who don't have a level playingfield within the Federal acquisition arena.

And there are rules and laws in place that specifically say that we want small businesses to have a leg up, because they don't have the advantage that the larger businesses have.

The rule of two as it is now within the veteran procurement arena, it puts an unfair burden on the businessowner. And to prove my point, I would like to go to Mr. Cervantes' testimony earlier where he was championing one particular incident at the end of his—at the end of his testimony where he said, "I had a veteran call me. And wanted this particular contract set aside." So the veteran—the veteran had to go out and find the veteran's own competition.

And what does that do? What does that do to the whole process? The veteran shouldn't be the one going out finding the other person, finding the other company. It should be the contracting officer is they are going to set that aside.

But that is not the way it is in the real world. And when I prefaced my testimony by saying, "I am not being paid to be here," what I am trying to say is I am not here for personal gain. I am not a contracting officer. I am not a Federal procurement agency. And I am not a small businessowner that competes at the Federal level. But I am an advocate that helps business owners.

And this is exactly what I see. I see small business owners going to contracting officer saying, "We would like to have something set aside." And having the contracting officer looking them dead in the beak and saying, "Great. Go out and find me another service-disabled vet that you can compete against. And I will consider setting it aside."

So it—all I am saying is that it puts an undue burden on the veteran businessowner. We are the only—we are the only group that has that burden placed on them.

Ms. HERSETH SANDLIN. I appreciate that, and I think that is the point that we found the agreement in the first panel as it relates to the perspectives on the rule of two and how this particular sub-

population for this particular set aside has that burden as you just described.

Thank you very much. We appreciate your time and your insight on this very important issue and we will look forward, as I mentioned, to continuing our work toward the progress on these goals.

With that, the hearing of the Economic Opportunity Subcommittee stands adjourned.

[Whereupon, at 5:50 p.m., the Subcommittee was adjourned.]

A P P E N D I X

Prepared Statement of the Honorable Stephanie Herseth Sandlin, Chairwoman, Subcommittee on Economic Opportunity

Some of the panelists may recall a hearing we held in May on the subject of veterans entrepreneurship and self employment. During that hearing, many of our panelists expressed concerns over Federal procurement opportunities and the three percent set aside rule for Federal agencies. Today's hearing will follow up on those concerns as we explore the current state of Federal procurement and the problems that are being faced by veterans.

Veterans of our armed forces have been and continue to be a vital part to securing our nation's economic prosperity and development. When given the opportunity to start and manage their own small businesses, these brave men and women add tremendous value to the success of our economy, as they strive to lead a successful life back in the civilian workforce. Time and again, we have seen these veterans, many disabled, return home to live out this American dream that they so bravely fought to protect.

With over 17,000 veteran owned small businesses back in my home state of South Dakota, I want to ensure that they, as well as all veteran entrepreneurs, are given proper assistance to expand their small business enterprises and are given the opportunities to secure more contracts with the government.

I understand that while some agencies may be meeting the three percent set aside goal, most agencies are not meeting this goal. I, along with my colleagues on this Subcommittee are troubled by the lack of progress and effort on behalf of most Federal agencies. As you may know, Public Law 106-50 was signed by President Clinton on August 17, 1999 to increase veteran participation in Federal procurement. This was then followed by Presidential Executive Order 13360 from President Bush on October 26, 2004. These measures have not brought about the changes that we were expecting for veteran owned businesses.

While we applaud the Federal agencies that have met the three percent set aside goal, we are concerned by the lack of progress and effort. I look forward to hearing from our distinguished panelists on how we can best overcome these hurdles.

Prepared Statement of the Honorable John Boozman, Ranking Republican Member, Subcommittee on Economic Opportunity

Thank you Madame Chairwoman.

It is no small secret that the Federal Government as a whole has done a poor job of meeting the requirements set forth in PL 106-50 and 108-183, and Executive Order 13360 in which three percent of all Federal contract dollars are to be set aside for businesses owned by service-disabled veterans.

In Fiscal Year 2005, the last year for which SBA has complete data, the Federal Government spent a paltry six-tenths of one percent of all procurement with service-disabled veteran-owned businesses. The is about one fifth of what the law and the executive order requires. In 2005, only the Committee for Purchasing from Blind and Other Severely Handicapped, the Defense Nuclear Safety Agency, FEMA and the National Science Foundation were in compliance. Notably absent were VA and DoD. In VA's defense, I understand they exceeded the goal in FY 06 in great measure due to the efforts of Scott Denniston.

While there is no entitlement to a contract for any set aside group, for obvious reasons, the Federal Government plays a special role in promoting veterans who choose the entrepreneurial path. For, veterans are unique in that they earned whatever advantage the Federal Government provides . . . unlike all of the other set aside categories of small business.

PL 106–50 and 108–183 and 13360 were fairly straight forward. But let’s consider the requirements laid out in the President’s directive. Its main features are:

Relative to promoting disabled veteran-owned businesses, Agency Heads shall develop a strategy, report annually to the SBA, designate a senior official to implement the strategy, and include contracting with SDVOBs in the performance evaluations of appropriate agency staff.

An agency strategy must include plans to implement SDVOB set asides, encouraging SDVOB participation, encouraging primes to subcontract with SDVOBs, and training agency personnel. These plans are important because if you don’t have a valid roadmap, it is difficult to achieve the 3 percent goal. I note that Mr. Wynn’s testimony states that, “. . . over half the plans were incomplete and some were poorly developed.” I hope Mr. Ellmore will address that statement.

The President also set very specific duties for SBA, VA, GSA and DoD. What I am most interested today is to learn from agency representatives how they are meeting the President’s directions.

I am especially impressed with the testimony of Louis Celli and his approach to promoting service-disabled veteran-owned business by reinvigorating the Small Business Administration. I think this makes eminent good sense given the controversy surrounding other efforts to improve Federal assistance to SDVOBs. I fully support providing SBA with the resources to improve their services to SDVOBs and holding them accountable for meeting their mandate included in PL 106–50, 108–183, and Executive Order 13360.

In an opposite vein, I do not agree with a statement in Mr. Cervantes’ written testimony. He states that DoD could not, strategize on reaching these goals until the passage of PL 108–183. The Defense Department never seems to have problems strategizing for other types of operational issues, in fact that is what they get paid to do—figure out how to do things and have back-up plans for the back-up plan. In fact, as the Federal Government’s largest procurer of goods and services, DoD’s failure to meet the 3 percent goal is the major factor in the overall failure the Federal Government.

Madame Chairwoman, I note that we have 13 witnesses to hear from. To make the best use of our time, I would ask them to skip their descriptions of the laws and President’s order and to concentrate on what they are observing and suggestions on how to improve Federal performance and yield back my time.

Prepared Statement of Charles Maurice Baker, President and Chief Executive Officer, MCB Lighting and Electrical, Owings, MD; Board of Directors, Veterans Enterprise Training and Services Group, Inc. (VETS Group); and Member, Veterans Entrepreneurship Task Force (VET-Force)

Executive Summary

Today, we have a unique opportunity like none other in history to actually create the most dynamic win/win proposition between the procurement community and our Service Disabled Veterans.

Our presentation is based on a theme of unity, teamwork and sharing of ideas. It is not our intent to criticize, point fingers or to assess blame. Rather we want to share information as well as introduce viable approaches for making economic opportunity readily available for Service Disabled Veterans and at the end of the day, we hope that the information provided is helpful and that you agree with us and our methods.

Vision

It is our vision to help educate as many people about procurement as possible by identifying and communicating better business practices and strategies which will help improve the procurement process, save money and greatly reduce fraud and abuse while at the same time achieving the true intent of procurement laws.

Mission

Our mission is to help Service Disable Veterans while at the same time save billions of dollars in procurement spending. We will reach out to contracting officers and agency management to identify areas of weaknesses and work as a team to fix them. We also will reach out to our Service Disabled Veterans to ensure they understand how to prosper under the procurement rules and how to work effectively with the procurement professionals.

Service Disabled Veterans

Today we have the youngest overall group of disabled veterans produced by war at anytime in our history. The effect of this will dramatically alter the lives of our soldiers and present several challenges for them to survive emotionally and economically in the future. Because this group is young, we need to come up with long-term solutions that fit their needs and the needs of our society.

We believe that this group of service disabled veterans is intelligent and innovative. We can help compensate them for any future lost earnings by making it possible for them to survive on their own through business opportunities or providing them with the appropriate skills to re-enter the workforce.

Helping this group succeed independently improves our tax base while at the same time saves significant money by reducing or eliminating any potential future burden on our social and medical support systems.

Department of Defense

The Department of Defense (DoD) provides the greatest economic opportunity for its fallen soldiers. DoD spent approximately 70 percent of the Federal procurement dollars in Fiscal 2005. It should go without saying that DoD has the moral and ethical responsibility to create economic and moral justice for Service Disabled Veterans, even if the rest of the Federal Government fails to do so.

DoD can and should take the necessary steps to ensure that its fallen soldiers are invited to the table to participate.

We will discuss later DoD's results in achieving its service disabled veterans goal.

Procurement Issues and Potential Fixes

The information that follows is either factual or our opinion and it is not intended to be inflammatory or adversarial.

Federal Procurement requires the enhancement of its procurement programs in order to make better management decisions affecting the mission of operating an efficient government in a cost effective manner.

We believe that the procurement system is broken and it is not being operated in an efficient and cost effective manner. A direct result of a broken procurement system is economic injustice.

First of all let's address the lack of a trained procurement workforce. With the baby boomers maturing and leaving Federal procurement we are losing internal knowledge and expertise and there does not appear to be a smooth handoff of knowledge and information from those retiring to the new workforce. It appears at times that the new workforce is lost and doesn't demonstrate that they have a clue when it comes to procurement laws and the Federal acquisition regulations.

Along with the inexperienced procurement staff, another troubling area is the reduction over the years of the procurement workforce. According to Congressman Waxman it will take 1 percent of the total dollars spent on the procurement system to fix this problem.

Second, procurement is broken beyond adding trained procurement personnel. Bodies alone will not fix this problem totally. In order to fix procurement you must, and I mean must understand:

- Needs of the customer (current mistake);
- Customer's mission (second mistake);
- Contracting rules totally; and
- The industry for each type of market segment you are contracting.

One way to augment the procurement knowledge base with true experience is with ex-government employees because of their understanding of how the procurement system works. From this base there can be a synergistic approach taken to address the issues and truly fix the procurement problem. It would be difficult to find this knowledge base at a big consulting company, but you can find this knowledge within the SDVOB community. There are those in the community who have the vision and truly understand the overall mission of government within the existing rules.

The third issue in procurement is the intent of the existing procurement laws associated with the implementation of the rules of procurement is not being followed. This is why we are having problems with Federal procurement and are not meeting the small business goals. First of all if the rules were followed there would be a greater possibility of success in meeting the small business goals. SDVOBs, for example, would get closer to 3 percent if the rules were enforced to use the maximum practicable utilization.

Many want us to believe that procurement needs to be overhauled. That was the thinking before 1984 when the Competition in Contracting Act (CICA) and the Fed-

eral Acquisition Regulations (FAR) were created. In 1994, the Federal Acquisition Streamlined Procurement Act was supposed to overhaul contracting and it created a bigger mess with an increased utilization of GSA, DLA, and Federal schedules, and now in 2007 everybody wants to fix contracting again.

This time we recommend approaching it differently. Rather than changing anything, how about following the existing rules and complying with the intent of the existing laws first? Be creative and innovative within the rules, in the best interest of the government and not in the best interests of personal gain. Somehow we let the people with the gold (money) and political influence change all the rules in their favor. This is why we don't have competition in contracting and sole source contracts have increased 115 percent over the last 5 years to \$145B.

Until Congressman Waxman is successful in implementing additional staffing through his 1 percent initiative, the procurement workforce needs to begin an intense training regimen, the laws and rules on the books today need to be followed and enforced and we need to seek out more inclusion of the Service Disabled community for their experience and expertise.

Economic Injustice

Let's address the issue of economic injustice.

There is no excuse for not meeting preference group's goals. Veterans, just like everybody else, deserve both moral and economic justice.

Within Federal procurement we need a farm system (similar to sports). This system will grow what the system needs to increase competition and provide enormous saving to the taxpayers later. How are we going to do this? Let's look at history. For business development, the intent of the rules of procurement was to exclusively reserve all the procurements under \$100K for small business (2 chapters FAR Part 13 and 19) yet we have a two-sentence loophole which allows big business to circumvent and take the business utilizing FAR Part 8.404.

What is the problem when it comes to purchases over the micro purchase limit of \$3K not to exceed \$100K in my industry? The problem is big business everything, they take all but the scraps for the preference groups to share with one another. What are the scraps? It's 98 percent of the transactions and 95 percent of the money to the tune of \$2B. This is siphoned out of small business programs exclusively reserved for small business related to Maintenance Repair and Operations (MRO). The customer only goes to the agency procurement office when these DLA prime vendors try to rake them over the hot, hot coals or they refuse to respond in a timely manner and then it's with a clinched fist. If DLA would perform without missing a beat the customer (my old office) would never go to contracting even though the customer is paying up to a 23 percent prime vendor surcharge (3.9 DLA surcharge) for its product or service. Are my numbers concrete? I am sharing with you what I experienced as a government employee who thought it was a waste of taxpayers' dollars, but we had no other method to accomplish the mission. Contracting was not a viable option or only our last resort for MRO materials if the contracting officers were too non-responsive. We would have to go without water, electricity, etc. if we relied on the procurement system without deviation.

We are trying to counter this economic injustice.

Within our veterans group, we must empower the veteran community with the best methods to become a viable, sustainable, competitive company or close to 57 percent of SDVOBs will fail.

We need to empower the Veteran community with a fully funded Business Development program and a vehicle that helps them overcome the natural challenges associated with becoming a successful Prime Contractor and/or participating in material Sub-Contract opportunities.

One such vehicle would be the establishment of a Public/Private Partnership that includes our nation's Colleges/Universities, Leading Prime Contractors, Business Trade Associations, and Trade Buying Groups. Specifically, the Colleges/Universities could expand their Graduate Course Curriculum by adding an outreach component that allows their students to deliver a comprehensive business analysis and planning engagement to the Veteran Businesses within their communities. This academic perspective could be supplemented by the real-world knowledge base that could be delivered to these engagements by the Prime Contractor's SBLOs, in concert with their Trade Association Partners.

Utilizing some of the best minds in MBA programs coupled with the leveraged buying power associated with national small business buying groups and the purchasing power of the Federal Government is a very powerful combination. What we have outlined above is a situation ready for "prime time" and will save the government billions of dollars. These groups could be galvanized into a BD support delivery system that leverages their Enterprise knowledge base against the holistic de-

velopment needs of our Veteran business community. This collective knowledge base would empower the Veteran Community with the ability to formulate an ideal strategy for pursuing a business growth initiative that incorporates a healthy mix of Public Sector and Commercial Customers, irrespective of their entry approach (i.e. Prime Contractor, Sub-Contractor, Teaming Partner, JV Member . . . etc.).

As part of our journey to help Service Disabled Veterans we have to work closely with those in the other preference groups. We call in our united front.

United Front

I believe the SDVOB will create a rising tide. With that rising tide we should fight for enforcement and improvements to all small businesses programs with the theme of American flag wrapped around small business. Buried inside the SDVOB group, making up 58 percent of our number, is another preference group. Yet, even with this double, triple and quadruple preference the SDVOB achievement still falls far short of 3 percent.

This is indicative a sub-story of that is happening in Federal procurement. There is infighting within the Designated Groups. We must not fight among the preference groups, causing a rear guard action within our own internal group and with other groups externally. These preference groups don't have the resources we need to get 3 percent of the contract dollars. Somehow, we must get the contract dollars, we all deserve according to the laws put in place to help us. In addition to the plan we outlined above for DoD, this is another methodology to get the 3 percent right away by using the existing laws to our favor while other laws are drafted.

Ideas/Solutions

So far we have been talking about problems and issues. I want to turn our attention to some ideas, solutions and opportunities.

How can we fix some of the procurement problems that we are facing today?

We can start by making good management decisions. One decision is considering shifting over a taxing workload to an innovative program that we have.

Over 90 percent of all procurement transactions are under the \$100K threshold and represent only 10 percent of the total procurement dollars. A significant amount of time and effort is consumed by the procurement workforce processing small dollar transactions. We think this is wasting limited, valuable resources and time. These resources and the associated time can be better focused on the real money and the real acquisition issues.

The time involved in processing smaller transactions not only is burdensome to the acquisition workforce but it's equally time consuming and a nightmare for customers also. I speak with 20 years of frustration of dealing with Federal procurement and trying to accomplish the mission as a government employee. As the chief of facilities for Andrews AFB I can tell you horror stories of having HVAC units broken for weeks and sometimes months for a \$5K part my people went and put their hands on but could not fix the units for several months because of the slow procurement process. After all was said and done the procurement rules in the name of competition cost the taxpayers enormously as the administrative cost would sometimes even exceed the cost of the parts. In addition, the cost of a temporary solution would sometimes triple the purchase cost of the item ordered.

Opportunities

We have created a logical plan for DoD to use immediately to assist it in reaching its 3 percent goal.

Currently DoD spending with SDVOB companies is at 0.49 percent with a goal of 3.0 percent. In its second year strategic plan, DoD is committed to meeting its statutory 3.0 target. Unfortunately DoD does not elaborate on the specifics of achieving the goal. Our experience is that this goal is similar to the analogy of "covering the waterfront" which past history has demonstrated does not work for the Federal Government because other preference goals have never been met because they never had a logical analytical plan to follow. There has to be a strategy with meaningful targets set with milestones and timelines attached.

Our plan creates an implementation strategy based on the historical data of SDVOB procurements with DoD from the most current Fiscal Year 2005 data in the Federal Procurement Data System-NG.

Our plan is a goal attainment strategy based on actual data which clearly demonstrates the immediate possibility of delivering 3 percent using a simple logical thought process using product or service categories where SDVOB companies have the most potential for success. The process identifies product or service categories for all DoD procurement requirements. DoD can use this process to specifically target product and service categories where there is little or no participation currently for SDVOB companies. Our plan is very effective for program managers and con-

tracting officers. Each product or service code is assigned a percentage target for SDVOB participation. The percentage target is based on dollar volume spending in Fiscal Year 2005. There is a tiered percentage scale that is used. The scale is dollar volume driven with the percentage declining the higher the spending. The percentage scale is as follows:

- Up to \$100 million—6%
- Up to \$500 million—5%
- Up to \$1 billion—4%
- Up to \$10 billion—3%
- Over \$10 billion—2.5%

Our vision is to have DoD implement our plan immediately so that it can contribute to helping SDVOB companies become sustainable, competitive and viable businesses as well as satisfy its goal of 3 percent.

Our plan was created by MCB Lighting & Electrical of Owings, MD POC Charles Baker 301-812-2591 and Mazyck and Associates of Sacramento, CA POC Edward V. Mazyck, Jr. 650-465-6403. MCB INC. at the request of CEO Charles M. Baker worked with Mazyck & Associates to develop this goal attainment strategy.

One final note. Our plan is applicable to all Departments and we will work with all Departments to help them realize their goals as well.

Thank you for the opportunity to share some of our thoughts with you today and we hope that it has been informative, educational and helpful.

**Prepared Statement of Mark J. Gross, President and Chief Executive
Officer, Oak Grove Technologies, Raleigh, NC**

Good afternoon Chairman Herseth-Sandlin, Ranking Member Boozman and members of this Subcommittee. Thank you for the invitation to come before you and share my experiences and work within the veteran business owner community, and discuss the three-percent Federal procurement goal for Service Disabled Veteran Owned Small Businesses.

I am a veteran of the United States Army, and CEO of Oak Grove Technologies, a Service Disabled Veteran Owned small business, founded at my kitchen table 5 years ago this coming August. Today, I am proud to say, I employ over 140 employees, over 70 percent of whom are veterans, and 16 percent of those are service disabled veterans. Geographically, we are dispersed across 16 states, and support both OEF and OIF in Afghanistan and Iraq.

In my opinion the climate has changed considerably in the past few years. If you look at some of the trends today, you will see that many agencies are improving in making awards to Service Disabled Veteran owned businesses, although we still have a way to go. Congress has done an outstanding job in passing legislation such as 106-50 and 108-183, both of which established Service Disabled Veteran goals and mandates in Federal contracting. However, there still lacks accountability within Agencies to meet these goals. I am here to offer my views on what can be done to ensure the state of veteran's entrepreneurship within the Federal Government.

Some positive changes that will further enable agencies to meet some of these goals are contained in PL 109-461, (See Amendment 1) which gives the VA special Authorization in procuring to Veteran and Disabled Veteran Owned business.

I offer five recommendations to meet the 3 percent procurement goal:

- With respect to set asides and sole sources, eliminate the "Rule of Two" wherein a contracting officer
 - has to know of two or more SDVOB's before an acquisition can be set aside.
 - Conversely, an "SDVO sole source" award can only be made when there is only one SDVOSB that can satisfy the requirement.

This is the only similar requirement for any of the statutory programs.

- Create a level playing field between the statutory programs by changing the use of "MAY" to "Shall" when using restricted competition for SDVOB's.
- Small business subcontracting plans, including all details of the plans, required by large prime contractors, should be made public and accessible electronically or on forms 294/295 upon request. Mandate that contracting officers impose liquidated damages, as predicated in FAR Part 19.705-07 for those large companies that fail to demonstrate good faith efforts to fulfill the requirements of their subcontract plans.
- Close loopholes in the GSA Schedule (FAR Par 8) wherein large businesses are allowed to take away business intended for small business, or mandate that the

Federal Agencies disclose the percentage of overall contracting dollars procured to small business' through the GSA Schedules.

- Establish an Ombudsman within agencies to provide procurement oversight.

We are proud to say we are the first SDVO small business in the DoD Mentor Protégé Program as created by 108-183; this year we were awarded the DoD Nunn-Perry Award.

As an entrepreneur and Veteran, the climate certainly has gotten better over the past 7 years, but we still have a long way to go. I'm confident that Congress, and many of the Federal Agencies such as Department of the Army, and the Department of Veterans Affairs, are committed to this cause.

I thank you for your time and your efforts to improve the Federal contracting climate for Service Disabled Veteran Businesses.

Amendment 1



THE DEPUTY SECRETARY OF VETERANS AFFAIRS
WASHINGTON
June 20, 2007

MEMORANDUM FOR UNDER SECRETARIES, ASSISTANT SECRETARIES, OTHER KEY OFFICIALS, DEPUTY ASSISTANT SECRETARIES, AND FIELD FACILITY DIRECTORS

SUBJECT: Veterans First Contracting Program

Public Law (P.L.) 109-461, the Veterans Benefits, Healthcare and Information Technology Act of 2006, sections 502 and 503 are effective June 20, 2007. This law provides VA with special authorities in contracting with service-disabled veteran-owned small businesses and veteran-owned small businesses.

VA personnel involved in the acquisition process need to become acquainted with the authorities and their responsibilities under P.L. 109-461. We must ensure that our advocacy of veterans extends to veteran entrepreneurs. I expect each of you to fully embrace the spirit and intent of this law and advance veteran entrepreneurial opportunities within VA.

I have asked Scott Denniston, Director, Office of Small and Disadvantaged Business Utilization, to monitor VA's implementation and compliance with P.L. 109-461. Mr. Denniston will report VA's progress to the Secretary and me on a regular basis.

A handwritten signature in black ink, appearing to read "Gordon H. Mansfield".

Gordon H. Mansfield

Prepared Statement of Anthony R. Jimenez, President and Chief Executive Officer, MicroTech, LLC, Vienna, VA

Good Afternoon, Chairwoman Herseth Sandlin, Ranking Member Boozman and distinguished Members of this Committee. It is a privilege to be here today. I want to thank the Committee for allowing me to share my thoughts regarding Federal Procurement and the Three Percent Set-Aside for Service-Disabled Veteran-Owned Small Businesses and I look forward to providing my views on ways to improve the Government's utilization of Service-Disabled Veteran-Owned Small Businesses.

My name is Tony Jimenez and I am the Founder as well as the President and CEO of MicroTech, LLC, a Service-Disabled Veteran-Owned Small Business located in Vienna, Virginia. I retired from the Army in 2003 after serving 24 years on active duty. I considered opening MicroTech immediately, but opted to wait and first went to work for a large and very successful Government Contractor here in the Washington DC area. I was aware that the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50) had been signed into law on August 17, 1999 and that it created a Government-wide goal that 3 percent of the total value of all Federal prime and subcontract dollars be awarded to Service-Disabled Veteran-Owned Small Business (SDVOSB) Concerns, but I thought that large business experience I would gain coupled with the experience I obtained as a veteran would better prepare me for small business ownership.

The Veterans Benefits Act of 2003 (P.L. 108-183) was signed by the President on December 18, 2003. It was at that point that I decided I could no longer wait and that it was time to start my own company. Three months later, I resigned from my very lucrative position as a Director of Enterprise Operations to open MicroTech, LLC (www.microtechllc.com) and pursue my dream of small business ownership and in April 2004, my partners and I started MicroTech, LLC.

On May 5, 2004 the SBA and the Federal Acquisition Regulatory (FAR) Council concurrently published interim final rules implementing the procurement provisions of the Veterans Benefits Act of 2003. The new regulations permitted contracting officers to either restrict competition on contracts or issue sole source contracts to SDVOSBs within specified dollar thresholds in accordance with statutory requirements. The regulation also establishes procedures for protesting the status of an SDVOSB. I and many others inside and outside the Federal Government were convinced that at last Veterans and Service-Disabled Veterans would have the plethora of opportunities we so desperately needed to be successful.

Since that date, the Federal Government has consistently fallen well short of the 3 percent statutory goal. Less than 10 percent of the Government agencies who are required to meet the statutory goals have done so and only a handful of agencies are making more than a negligible effort to set-aside work for SDVOSBs. The Department of Defense, an agency responsible for creating Service-Disabled Veterans continues to struggle and to date has still been unable to award even 1 percent of its contracts to Service-Disabled Veteran-Owned Small Businesses yet it consistently meets its other small business goals.

The good news (yes, there is good news) is that there are people in the Federal Government who are doing their part, in fact they are doing more than their part. The U.S. Department of Veteran Affairs (VA), The United States Army (U.S. ARMY), and The General Services Administration (GSA) have all established very aggressive SDVOSB programs that are designed to increase opportunities for Veteran and Service-Disabled Veteran Owned Small Businesses (as have many other agencies) these agencies have provided the resources needed, have put excellent people in charge of running their programs, and they have developed a winning strategy with measurable goals that will create opportunities for our nations Veterans and Service-Disabled Veterans. These small business champions are getting the word out, educating contracting officers, identifying opportunities and advocating change, but those three agencies and a hand full of others cannot do it by themselves. If you and the other law makers who truly care about our nations Veterans and Service-Disabled Veterans expect to see the Federal Government reach their 3 percent goals in our lifetime you are going to have to make some changes and fix how business is being done in the Federal Government.

You may be aware, there are over 13,500 SDVOSBs registered in the Central Contractor Registration (CCR). They have done everything they can possibly do to position themselves for contracts with the Federal Government and are anxiously pursuing the opportunities they thought P.L. 106-50 would bring (3 percent of the total value of all Federal prime and subcontract dollars).

To fully accomplish the objectives of this legislation, Government Agencies have to be held accountable. Many of those agencies have been called up to the Hill and all of them have told you and other committee's members about the great things

they intend to do for SDVOSBs, but over the last four years only a few have turned those words into actions. What stops them from dusting off the last testimony they gave and giving you the exact same story about what they are going to do for SDVOSBs when you call to check progress? My question is where is their report card? What is their plan for going from F to A+? Who is responsible for meeting the SDVOSB goal in their agency and what are the consequences of not meeting the 3 percent goal?

Here are my recommendations for helping those agencies meet their goals and for fixing the problems going forward:

1. Protect the dollars! Last time I testified before this Committee it was recommended that those dollars be set aside for the use of SDVOSBs. I agree with that recommendation.
2. Hold Secretaries and Agency Administrators directly responsible for meeting the 3 percent goal established in P.L. 106–50. Each Department or Agency has a Director of Small Business, but they are not the people who control the acquisition process. The acquisition process is controlled by the Assistant Secretaries for Acquisition, the Heads of the Contracting Agencies (HCAs), and the Agencies' Chief Acquisition Officers. Have Assistant Secretaries for Acquisition, the Heads of the Contracting Agencies (HCAs), and the Agencies' Chief Acquisition Officers testify and require that they present a measurable and realistic plan for reaching the 3 percent goal. If after a year they do not meet the 3 percent goal, ask them to come back—with their bosses, and testify. I promise you that you will see a change in the numbers!
3. Lock down the small business goals for all Large Business Contracts. Often times Large Business will fight to reduce the percentage of work they must give small business. Do not let that happen. Ensure that all large businesses develop a small business-subcontracting plan that mirrors the requirements of the Federal Government and then ensures that large businesses are penalized when they fail to meet their small business subcontracting goals.
4. Hold Procurement Officials and Contracting Officers responsible for meeting the 3 percent goal for SDVOSBs. Make the 3 percent goal for SDVOSBs a requirement in their performance measures and a condition of their performance award. If a Department or Agency does not meet their 3 percent goal for SDVOSBs then reduce the amount of their award by the percentage they failed to achieve. In other words if they only achieve 1 percent (33 percent of the goal) then they only get 33 percent of the performance award they would have otherwise received.

Madame Chairwoman and Distinguished Committee Members, thank you very much for this great opportunity. This concludes my testimony and I would be happy to answer any questions you may have.

Prepared Statement of Joe Wynn, President, Veterans Enterprise Training and Services Group, Inc. (VETS Group); Member, Veterans Entrepreneurship Task Force (VET-Force) and National Association for Black Veterans

EXECUTIVE SUMMARY

In December 2003, Congress passed the Veterans Benefits Act of 2003. Section 302, created the Procurement Program for Small Business Concerns Owned and Controlled by Service-Disabled Veterans. But it was Public Law 106–50, the Veterans Entrepreneurship and Small Business Development Act of 1999 that set the stage for veterans interested in starting or expanding their own small businesses.

Congress stated in its findings of PL 106–50 that America had not done nearly enough to 'assist veterans, particularly service-disabled veterans, in playing a greater role in the economy of the United States by forming and expanding small business enterprises.'

It was PL 106–50 that called for the creation of new entities and the restructuring of existing ones in order to assist veterans in pursuit of entrepreneurship. Under this law, SBA's Office of Veterans Business Development, the Department of Veterans Affairs' Center for Veterans Enterprise, and the National Veterans Business Development Corporation, were created.

While PL 106–50 also established a 3 percent procurement goal for Federal agencies and prime contractors to purchase goods and services from service-disabled veteran owned businesses, it did not go far enough in giving contracting officials a vehicle by which to achieve the goals. Thus, the second major piece of legislation was

enacted as part of the Veterans Benefits Act of 2003 (Public Law 108–183), section 308 called for the creation of a Veterans Procurement Program and made it **MANDATORY** that **Federal agencies and prime contractors** procure a **MINIMUM of 3 percent** of all of their goods and services from service-disabled veteran owned businesses.

The insertion of that mandatory language into the legislation effectively created quite a stir in the Federal procurement community. Wherein agencies were still paying little attention to veteran owned small businesses, the mandatory language caused them to stop and take notice.

But agencies still didn't jump into action until the President of the United States issued an Executive Order in October 2004, directing agencies to carry out the law now! Under the Order, agencies have been instructed to designate a senior-level official to be held accountable for submitting a strategic plan showing how and when they will achieve the 3 percent contracting goal for service-disabled veteran owned businesses.

The VETS Group is proud to have been a part of the collective effort of those veterans' advocates who pushed for the development and implementation of these landmark decisions to expand veterans' entrepreneurship.

But now after more than 7 years since Congress first laid the foundation for a veterans procurement program, two new laws and a Presidential Executive Order, Federal agencies and prime contractors are still making excuses as to why they can't make the 3 percent.

INTRO:

Good Afternoon, Chairwoman Herseith-Sandlin, Ranking Member Boozman, other Members of this Subcommittee, fellow veterans, and guests.

Let me first thank you once again for the opportunity to come before you to share some of my views on the Veterans Federal Procurement Program and Why Agencies Still Can't Make the 3 percent and the collective views of many Veterans and Service Disabled Veteran Business Owners; veterans who served with honor, and many who received distinguished honors for displaying valor and courage during their periods of military service for this country. Though my time of service was many years ago, as a veteran of the U.S. Air Force with the 66th Strategic Missile Squadron, I still have a very vivid memory of the military experience.

You may recall that just a few weeks ago, I came before this same Committee to express my views about the three entities created under PL 106–50 to provide veterans with business development assistance; the Office of Veterans Business Development (under the SBA), the Center for Veterans Enterprise (under the VA), and The Veterans Corporation (Non-Governmental). The Center for Veterans Enterprise has been making progress with developing and maintaining a database for Veteran Business Owners, while the Office of Veterans Business Development has only been marginally successful in providing support for veteran business owners interested in Federal contracting. And The Veterans Corporation has shown even less progress in providing support for both Federal contracting and business development.

As a lifetime member of the National Association for Black Veterans, I have spent the past 16 years assisting Veterans, and in recent years also serving as a Commissioner of the Congressionally appointed Veterans Disability Benefits Commission, Treasurer for the Veterans Entrepreneurship Task Force (VET-Force), Senior Advisor to the Vietnam Veterans of America, and President of the Veterans Enterprise Training and Services Group (VETS Group).

It is primarily by being a part of both the VET-Force and the VETS Group that I have become so familiar with the needs of veteran business owners and the legislation that created the Veterans Procurement Program and the offices and organizations directed to assist veterans with achieving the American Dream they fought so hard to protect. It is well known that one of the best ways to get ahead is by obtaining a good job. But by starting or expanding your own small business, you may achieve financial independence.

The VET-Force, which is composed of over 200 organizations and affiliates representing thousands of veterans throughout the United States; a high percentage of which, are small businesses; has made it their mission to monitor the implementation of the programs, agencies, and organizations referenced under PL 106–50, PL 108–183, Executive Order 13–360, and now PL 109–461. The VET-Force presents a strong unified veterans' voice for virtually all of the major veterans groups, veteran entrepreneurs, serves as an advocate for veterans seeking assistance with their small business or self-employment.

The VETS Group, a non-profit 501(c)3, community based organization that I founded in 2004, has a holistic program of services to help veterans achieve economic empowerment through education, employment, and small business owner-

ship. The VETS Group is able to provide information, outreach, small business Federal procurement training and support to hundreds of veterans through its network of Patriot Resource Partners, its Coalition of Advisors, and its Technical Assistance Providers.

Since the Vietnam Era, America has been involved in numerous conflicts, missions, and peacekeeping endeavors. And since the tragedy that overtook America on September 11, 2001, we have been engaged in the Global War on Terrorism, and even now continuing to increase the number of troops in Iraq and Afghanistan despite the overwhelming opinion to the contrary. A new generation of veterans now exists; they are well trained, loyal, battle-tested and under-employed. 'As a Nation, we have been unsuccessful in providing the originally promised assistance our veterans have earned, deserved, and required so that they would have the opportunity to be as successful in their civilian pursuits as they were in their military assignments.' (VET-Force Report to the Nation 2005).

If veterans and service-disabled veteran owned businesses are to succeed in the public sector, agencies will have to stop making excuses for why they can't make the 3 percent. Veterans also will have to overcome a number of impediments: (1) The pervasive ignorance of the law and resistance to change across all agencies; (2) No enforcement of prime subcontracting plans; (3) Inaccurate agency data, miscoding, and double counting; (4) The perception that the procurement pie for small businesses is shrinking; and (5) Contract Bundling.

Agencies and veteran small business assistance providers must assist in identifying and registering the capabilities of veteran business owners where required, demand that all large prime contractors comply with their subcontracting plans, create situations that foster the development of relationships between agency procurement officers and veteran business owners, and improve the process of identifying and matching veteran businesses with procurement opportunities.

Why Agencies 'Can't' Make the 3 percent: Three Primary Reasons:

First let's go over the Presidential Executive Order, #13-360 that was issued to direct agencies to more effectively implement the 'mandatory' legal requirement to procure 'not less than' 3 percent goods and services from Service-Disabled Veteran Owned Businesses and to do so by reserving more procurements exclusively for SDVOBs.

If agencies would actually adhere to the Executive Order, as stated, they would be much more likely to achieve the minimum 3 percent. Here's why.

The Order calls for each agency to develop a 'written' Strategic Plan that will provide details and guidance as to how they will proceed to increase contracting opportunities for SDVOBs and make the plans publicly available. The Order was issued in 2004, but most agencies did not post their plans to the VA and SBA public websites until May 2006.

But a review of the plans by a special Committee of the VET-Force, of which I was a Member, revealed that over half of the plans were incomplete and some were poorly developed.

Agencies are not only supposed to make their plans publicly available, but they are also required to report annually to the Administrator of the SBA on the implementation of the agency's strategy. But only a few agencies have even attempted to submit an annual report partly because the SBA has not followed through on their part and provided proper guidance of where, when, and how to submit the reports.

Each agency should now have designated a Senior-Level Official to be responsible for developing and implementing the agency's strategy. But most agencies never designated anyone, some designated someone but they were not a Senior-Level Official, and then some had one but after they left the agency a new one was never appointed.

Significant elements of the strategy and the agency's achievements were to be incorporated in the performance plans of the Designated Senior-Level Official, the Chief Acquisition Officer, and the agency's OSDDBU Director (Office of Small and Disadvantaged Business Utilization). But to date, most agencies are still thinking about how to avoid that directive. However, the VA under the Dept. Sec., Gordon Mansfield, did issue an internal memo to all its department heads to follow the Exec. Order. And oh by the way, the VA is one of the few agencies that have achieved the 3 percent goal for SDVOBs.

Each agency's Strategic Plan should include specific guidance on the following:

- a. How they will reserve agency contracts exclusively for SDVOBs;
- b. How they will encourage SDVOBs to compete for agency contracts;
- c. How they will encourage the agency's large prime contractors make sub-

contract awards to SDVOBs and how they will monitor and evaluate their efforts to do;

- d. How they will train their agency personnel about the laws and policies related to the Veterans Federal Procurement Program; and
- e. How they will disseminate information that will educate SDVOBs to the agency's contracting process.

Most agencies have simply left these tasks up to their Offices of Small and Disadvantaged Business Utilization. But based on the agency's budget, some OSDDBU offices have more staff and resources than others. So some send out representatives to many small business conferences to distribute information, but many simply rely on their websites and hopes that veterans will contact the small business office.

Training of agency personnel does not appear to be consistent, but many agencies seem to rely on the Defense Acquisition University's (DAU) online course to provide training on the veterans Federal procurement program. However, the DAU training merely restates the legislation and not really clarifies how to apply the laws. Nor does it address the specific agency policies or directives that also have an influence on how the laws are applied.

And seemingly, very few agencies are doing anything to encourage their large prime contractors to award more subcontracts to SDVOBs. When you talk to contracting officers or acquisitions personnel, they all say that they are challenged by the enormous task of monitoring the subcontracting plans of the agency's large primes while also having to meet the demands of new requirements. So very few penalties, if any, are being imposed on the large prime contractors for failing to comply with their subcontracting plans.

The Executive Order also called for additional duties of the SBA Administrator, the GSA Administrator; the Secretary of Defense; the Secretary of the VA; and the Secretary of Labor.

- a. The SBA Administrator was directed to designate an appropriate entity within the SBA to (1) coordinate with the Center for Veterans Enterprise of the VA and to provide SDVOBs with information and assistance concerning participation in Federal contracting; (2) advise and assist the heads of the agencies in the implementation of their strategic plans; and (3) make available to SDVOBs training in Federal contracting law, procedures, and practices that would assist such businesses in participating in Federal contracting.

In May of 2005, under the Administrator at the time, Hector Barreto, the SBA started to create the Office of Federal Contracting for Veteran Business Owners. But the office was staffed by only one person and in less than one year, the SBA dismantled it. In late 2006, a new Administrator was appointed to SBA, Stephen Preston. Mr. Preston began his tenure with a very positive attitude toward addressing the unmet needs of veteran business owners and complying with the Executive Order.

In March of 2007, at a meeting of the VET-Force, Administrator Preston, and his Chief of Staff, Joel Szabat, both conveyed to their staff, VET-Force members, and guests that SBA intended to fully comply with the Executive Order and PL 108-183 to achieve the 3 percent mandatory minimum goal for SDVOBs. This time, instead of setting up a separate office and appointing another person, the Administrator directed Bill Elmore, the head of the Office of Veterans Business Development to take the lead.

At that very same meeting, Bill Elmore introduced everyone to Billy Jenkins, as the Veterans Program Coordinator from his staff, who would be the point man with the experience, background, and responsibility to assist agencies with the implementation of their strategic plans and to assist veteran business owners with Federal contracting.

But once again, SBA has dropped the ball and failed to comply. Since that meeting in March, SBA still has not assisted any agencies with their strategic plans, they have not instructed agencies on how, when, and where to submit their annual reports, and they have not implemented any Federal procurement training for any veteran business owners. And once again, they have only one person in the whole office assigned to assist veteran business owners with Federal contracting.

The Office of Veterans Business Development should be required to submit a Strategic Plan demonstrating how present and future resources will be used to expand the assistance needed by veteran business owners for Federal contracting.

- b. After two and a half years, GSA finally completed the Veterans Government Wide Acquisition Contract (GWAC) that is designed to reserve participation

for SDVOBs. Only 43 SDVOBs were awarded contracts under this contract vehicle. And based on the requirements, each of the SDVOBs had to team up with 5 or more other companies and submit a proposal of nearly 100 pages or more to qualify! Many companies said the proposal was the most extensive and expensive proposal they had ever done.

Now the SDVOBs have to wait until agencies are authorized to use the Vets GWAC and until they receive task orders, of which they still have to compete for, in some cases, among all 43 teams. And what's ironic about this whole thing is that since some of the team members are large primes, an SDVOB could win the bid for a sizeable task order, but a large percentage of the work could legally be performed by the large prime, thus leaving not so much profit for the SDVOB that this GSA contract vehicle was intended to help.

Once again, a case of work intended for small businesses going to large businesses. But I'm told, under this scenario, the agency would still count the total contract dollars allocated for this task order toward its SDVOB goals.

- c. According to the Executive Order, DoD has complied with its additional duty and created an online training module on contracting with SDVOBs and made it accessible to all agencies. But as was mentioned above, the online module has some obvious limitations.

But just recently, through the efforts of the VET-Force, the DoD Deputy Chief of Acquisition made a commitment that DoD's Strategic Plan would be compliant with the Executive Order and issued a directive to all of the Armed Forces Secretariats to complete a comprehensive and compliant Strategic Plan also.

Among other things, the DoD acquisition official, per request of the VET-Force, also directed the DoD Small Business Director to organize an informal working group to occasionally work with and advise DoD on the effect of DoD directives and actions in meeting the SDVOB 3 percent goal. The standing Committee will include (less OSDBUs):

1. Approximately four SDVOB business owners (2 IT, 1 non-IT, and 1 construction);
2. Two to four veteran organizations chosen by the VET-Force; and
3. One DoD representative and one from each of the Armed Forces Secretariats.

The monthly meeting will be co-chaired by one government member and one non-government member.

- d. VA seems to be complying with the Executive Order to the fullest. Through its Center for Veterans Enterprise, the VA has developed and maintains a database reserved exclusively for veteran and service disabled veteran business owners. They have made the database accessible to all agencies, large primes, and the general public. And since the passage of the recent legislation, PL 109-461, they have begun to establish a verification process to ensure that registrants in the database are veterans.

The VA was one of the first agencies to develop a realistic Strategic Plan, publicly post it to its website, and designate a Senior-Level Official to oversee the implementation of the plan. They have also offered to submit an annual report to the SBA and have made appropriate revisions to the plan over the past two years. And as was referenced above, they are one of the few agencies that have exceeded the 3 percent in 2006.

- e. The Department of Labor was tasked with the additional duty of educating separating military servicemembers as to the benefits available to SDVOBs through the DoD Military Transition Assistance Program (TAP). This task was delegated to the Dept. of Labor's Veterans Employment and Training Service (DOL-VETS).

Though briefings from DOL-VETS have increased, very little time is allocated to entrepreneurship. And the topic of entrepreneurship is discussed even less with members of the National Guard and Reserves returning from the War in Iraq or Afghanistan.

This detailed analysis of the Executive Order and how agencies have or have not complied, demonstrates just one of the primary reasons why I believe that agencies can't make the 3 percent.

The other two primary reasons are:

No Authorization to Make Direct Awards

The fact that contracting officers don't have the authority to issue direct awards to a SDVOB of their choosing, under the Simplified Acquisition Threshold as is allowed under the Small Business Act for the 8a program, even if other SDVOBs are available. This has previously been limited in the Veterans Federal Procurement Program due to what is referred to as the "Rule of Two."

The Rule of Two as introduced under PL 108-183 is contained in Part 19 FAR, and the Code of Federal Regulations (CFR) 13 CFR, Part 125. The Rule of Two states if a contracting officer knows of two or more SDVOBs that can do the work, then the requirement must be competed. So even though that same law also states that if the contracting officer only knows of one SDVOB that can meet the requirement, a sole source award CAN BE Made, this obviously would not permit a contracting officer to make a direct award to only one SDVOB based on their discretion if other SDVOBs are available to do the work.

Meeting with and talking with Federal contracting officers, I have found that they are often under pressure to get certain requirements awarded quickly, and although there is a SDVOB that can do the job, they routinely go to 8(a) firms. Under the SBA's 8a program, contracting officers are allowed to make direct awards even if there are other 8a firms available to do the work. In these cases, the Government does not have time to even consider restricted competition among SDVOBs because of time factors. Thus, the SDVOB suffers and the Government agency loses an opportunity to add to its 3 percent Goal under the law.

'May' versus 'Shall'

There has been enormous confusion created because of the use of the word "May" throughout the legislation (PL 108-183) and the implementing regulation. In reviewing the discussion points included as part of the implementing regulation published in the Federal Register on March 23, 2005, by DoD, GSA, and NASA, one can clearly discern that the word "May" is being used in a positive way to allow contracting officers the latitude to award contracts under either the SDVOB program, the Hubzone Program, or the 8a Program.

But this use of the word "May" has to be changed to "Shall" or at least the term must be clarified so that contracting officers will stop using it as an excuse to not award contracts to SDVOBs. Many continue to say that the term "May" causes the SDVOB program to be placed in an order BELOW the 8a and Hubzone programs.

I would also like to submit other recommendations that would help to increase contracting opportunities to SDVOBs:

1. Strengthen the SDVOB program by enforcing Executive Order 13-360, increasing contract awards, adding authorization for direct awards non-competitively, and by correcting of wording of the governing regulation, without submerging SDVOBs into the 8a program. The 8a program was created to help alleviate the more than 100 years of wrongful discrimination and exclusion of minorities from the full benefits of American society, including the Federal marketplace. The SDVOB program is intended to be inclusive of any American who served in this country's armed forces, guard or reserves. The SDVOB program should retain its own identify for "those who have borne the battle."
2. Small Business Subcontracting Plans submitted by large Primes should be monitored more closely. Liquidated damages or the elimination of future contracts should be imposed for those companies that fail to demonstrate a good faith effort. Contracting officers should also be held accountable for their role in this process.
3. Extend the provisions of sections PL 109-461 that direct the Department of Veterans Affairs to prioritize contracting for SDVOBs and VOBs to all Federal agencies and the DoD.
4. Provide a Price Evaluation Preference of 10 percent for SDVOBs in acquisitions conducted using full and open competition.
5. Direct the SBA Procurement Center Representatives (PCRs) and Commercial Marketing Representatives (CMRs) to allocate more time assisting SDVOBs and oversight of agencies failing to achieve the 3 percent.
6. Have the Office of Federal Procurement Policy issue a statement to clarify that the 23 percent Government-wide small business goal is only a 'Minimum' and that agencies are allowed to surpass the 23 percent.
7. Close the loopholes in the GSA schedule (FAR Part 8) wherein large businesses are allowed to take away business intended for small businesses.

8. Make it mandatory that agencies consider past experiences and performance of the veteran business owner and/or key personnel when evaluating past performance of the company.
9. Congress should consider adapting a program for service-disabled veterans that would be modeled after the JWOD program. Under the JWOD program, a non-profit organization receives a fee from the contract award to serve as the facilitator to the contracting process between small businesses and Federal agencies and to ensure that those small businesses selected are adequately trained and qualified. The small businesses must also agree that at least 60 percent of their labor force will be people with severe disabilities. This could prove to be a win-win for the government, service disabled veteran owned businesses, and seriously disabled veterans.
10. The three organizations created under PL 106-50, The Veterans Corporation (TVC), the Office of Veterans Business Development (OVBD), and the Center for Veterans Enterprise (CVE) should establish partnership agreements to share small business resources and information that will help to increase the pool of capable and qualified veteran business owners across the country.

In Summary:

The Federal marketplace is a trillion dollar industry. And 3 percent of that annual budget is easily in the billions. Not to mention the prime vendors procurement budget and other non-Federal procurements. Both Federal agencies and commercial vendors are faced with the time consuming task of identifying and screening capable and qualified veteran owned small businesses to meet their requirements. And veteran business owners need as much help as they can to be ready.

Following the recent events related to the treatment of veterans at Walter Reed Army Medical Center, it should be abundantly clear to all that our service members, their families, and citizens throughout the United States are taking note of how this new generation of service members are being treated. The actual and perceived treatment of our Nation's Veterans, especially those returning from the War on Terrorism, will be a symbol of how valued their sacrifice was and a clear signal to any future enlistees on the ultimate value of their service to the Nation.

In the Report to the Nation, developed by members of the VET-Force, 'the presence of successful and prominent veterans within and across our nation's business communities is a testimony of a grateful nation—a nation that honors and respects the sacrifices made by Veterans in behalf of our country, both today and tomorrow. Veterans are uniquely qualified to work as contractors to the Federal Government because of their service experience and their dedication to providing quality products, on time and at a reasonable cost. Effective legislation such as PL 106-50, PL 108-183, and Executive Order 13360, has provided a good beginning in allowing America to honor the service of Veterans who continue to serve by helping to build a stronger economy. More needs to be done.'

Thank you for your attention to these matters. This concludes my statement.

Attachment 1

STRATEGIC PLAN REVIEW RATING SHEET

submitted by the Strategic Planning Subcommittee

TASK FORCE FOR VETERANS ENTREPRENEURSHIP

December 2005

The following agencies submitted Strategic Plans for 2005 in compliance with the Presidents Executive Order 13360. Each plan has now been reviewed and rated by the TFVE Strategic Planning Subcommittee. A summary of the ratings per agency is listed below. The Strategic Plans Review Summary Sheets for each agency have been forwarded via e-mail.

RATING SUMMARY: Each plan has been rated based on a scale of 0-4, with

0 = Unacceptable, 1 = Below Average, 2 = Average, 3 = Above Average, and 4 = Excellent.

Of the total 34 agencies listed below, 32 submitted Strategic Plans. 10 were rated Unacceptable; 10 were rated Below Average; 10 were rated Average; and 2 were rated Above Average. In determining the ratings consideration was given to: the

number of completed responses out of a total of 12; the soundness of the approach; the level of detail in the responses; and the likelihood that the proposed activity would achieve the anticipated results.

Other factors considered were: the use of: Forecast Lists; CCR; VETBIZ; Outreach Events; Websites; DAU; Accountability (Top—Down); Prime Contractor Preference Incentives and SDVOB Past Performance as Evaluation Factors.

Copies of the agencies' plans are posted on the websites of the Dept. of Veterans Affairs and the Small Business Administration. To review, go to: www.vetbiz.gov or www.sba.gov.

	AGENCY NAME	STRATEGIC PLAN RATING
1.	Department of Agriculture	2
2.	Department of Commerce	1
3.	Department of Defense	2
4.	Department of Energy	1
5.	Department of Education	2+ (Almost Above Avg)
6.	Department of Health and Human Service	1
7.	Department of Homeland Security	2
8.	Department of Housing and Urban Development	1
9.	Department of Interior	2
10.	Department of Justice	2
11.	Department of Labor	1
12.	Department of State	3+ (Almost Excellent)
13.	Department of Transportation	0
14.	Department of Treasury	2
15.	Department of Veterans Affairs	3
16.	Agency for International Development	2
17.	Defense Contract Agency	– (No Plan Submitted)
18.	Environmental Protection	2
19.	Equal Employment Opportunity Commission	1
20.	Federal Election Commission	0
21.	International Broadcasting Bureau	1
22.	General Services Administration	2
23.	National Aeronautics and Space Administration	1
24.	National Credit Union Administration	0
25.	National Labor Relations Board	1
26.	National Science Foundation	0
27.	Nuclear Regulatory Commission	0
28.	Peace Corps	0
29.	Railroad Retirement Board	0
30.	Security and Exchange Commission	0
31.	Selective Service System	0 (set 1 percent goal SDVOBs)
32.	Small Business Administration	0
33.	Smithsonian Institute	– (No plan submitted)
34.	Social Security Administration	1 (good response to #11)

(SAMPLE STRATEGIC PLAN REVIEW FORM)

Agency # _____

RATING FACTORS

0 = Unacceptable 1 = Below Average 2 = Average 3 = Above Average 4 = Excellent

No.	CRITERIA	RATING
1	SENIOR LEVEL OFFICIAL NAMED AND CONTACT INFO—	
2	PLAN AVAILABLE TO THE PUBLIC— www.vetbiz.gov; www.sba.gov	
3	PROGRESS REPORTS TO SBA— Annually to the Office of Government Contracting.	
4	HOW CONTRACTS WILL BE RESERVED FOR SDVOBs—	
5	HOW INFO WILL GET TO SDVOBs TO ENCOURAGE PARTICIPATION—	
6	HOW PRIMES WILL BE ENCOURAGED TO SUBCONTRACT WITH SDVOBs—	
7	HOW AGENCY PERSONNEL WILL BE TRAINED—	
8	DISSEMINATE INFO TO SDVOBs TO ASSIST THEM IN GETTING AWARDS—	
9	DOES STRATEGIC PLAN COMPLY WITH EXEC ORDER—	
10	HOW WILL SENIOR LEVEL OFFICIAL, CAO, AND OSDBU DIRECTOR'S. PERFORMANCE PLANS BE IMPLEMENTED—	
11	HOW WILL SDVOB OPPORTUNITIES BE INCREASED—	
12	HOW WILL SUBCONTRACTING PLANS WITH PRIMES BE MONITORED AND EVALUATED—	
	TFVE CONCERNS	
1	Plan only mimics Executive Memo	
2	Plan execution	
3	Plan specific or general small business	

Members of the Strategic Planning Subcommittee are as follows:

Charles Jones (Subcommittee Chair), Joe Wynn, Bob Hesser, Jim Hudson, Scott Golden, Mike Bradican. (Assistants: Michelle Reinecke and Dianna Osborne of Commercial Marking Corp.) For additional information or to contact the Subcommittee Members contact Charles Jones (803) 699-4940 Charlesjon@aol.com or Joe Wynn (301) 585-4000 ext 147 Jwynn@VVA.org.

**Prepared Statement of Joseph C. Sharpe, Jr.,
Deputy Director, Economic Commission, American Legion**

The American Legion appreciates this opportunity to comment on the current state of veteran entrepreneurship.

The American Legion acknowledges that small business is the mainstay of the American economy. It is the mobilizing force behind America's past economic growth and will continue to be the primary factor as the Nation progresses into the new

millennium. Presently, more than nine out of every ten businesses are small firms, which produce approximately half of the Gross National Product (GNP). Currently, over one-half of the nation's workforces are employed by small business, with the average company employing approximately 11 persons. The American Legion recognizes the benefits of American entrepreneurship, not only for the overall American economy but also for the transitioning servicemember seeking to develop their own business.

America has also benefited immeasurably from the service of its 24 million living veterans, who made great sacrifices in the defense of freedom, in the preservation of democracy, and in the protection of the free enterprise system. According to the Small Business Administration's (SBA) Office of Veterans' Business Development in Washington, DC, the number of small-business-owning veterans has increased to more than 4 million nationwide with more than 235,000 being service-connected disabled veteran owned. They range from home-based sole proprietorships to high-tech global corporations.

In addition, due to the experience veterans gain in the military, the success rate of veteran owned businesses is higher than other non-veteran owned businesses. The current War on Terror has had a devastating impact on the military and has exacerbated this country's veteran unemployment problem, especially within the National Guard and Reserve components of our military. The present unemployment rate for recently discharged veterans is double the national average. Unfortunately, many of the thousands of service members who are currently leaving the service are from the combat arms and non-skilled professions that are not readily transferable to the civilian labor market.

One way of combating unemployment is through the creation of new jobs. Small business creates by some estimates 60 percent to 80 percent of net new jobs, therefore providing a central element for strong economic growth. Government should assist in the creation of new jobs by encouraging qualified entrepreneurs to start and expand their small businesses. No group is better qualified or deserving of this type of assistance than the veterans of this Nation.

Increasingly, the growth and stability of this Nation's economy is dependent on the long-term success of the small business networks across the country. However, during a time of war there is much to be accomplished. Ironically, for too many years, the very men and women who served in uniform and who stood ready to fight, and if necessary to die, in order to protect and preserve our free enterprise system, were completely ignored by the Federal agency responsible for meeting their small business needs.

Reaffirm Support of the Small Business Administration's Office of Veteran's Business Development

The American Legion supports increased funding of the Small Business Administration's Office of Veterans' Business Development in its initiatives to provide enhanced outreach and specific community-based assistance to veterans and self employed members of the Reserves and National Guard. The American Legion also supports legislation that would permit the Office of Veterans' Business Development to enter into contracts, grants, and cooperative agreements to further its outreach goals and develop a nationwide community-based service delivery system specifically for veterans and members of reserve components of the United States military. For FY 2008 estimated funding for this office would be estimated to be \$5 million, in FY 2009 \$10 million, and FY 2010 \$15 million to enable it to implement a nationwide community-based assistance program to veterans and self employed members of the Reserves and National Guard.

The National Veterans Business Development Corporation

Congress enacted the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50) to assist veteran and service-connected disabled veteran owned businesses by creating the National Veterans Business Development Corporation and with the assistance of the SBA. The Veterans Corporation (TVC) created a Veterans Entrepreneurial Training (VET) Program to promote and foster successful veteran entrepreneurship within the veteran business community, but this program no longer operates. Currently, the organization's main efforts have been to provide distance-learning education in how to start and expand existing businesses, to include training in finance, accounting and contracting. The Veterans Corporation indicates it has established a foundation for a 10-year plan to reach all 4-5 million veterans interested in entrepreneurship. Its latest vision is to assist Guard/Reserve and transitioning members of the Armed Forces and their families with the establishment of their own businesses. The American Legion is working with the Veterans Corporation to ensure the best method or methods of assisting

these deserving veterans. TVC has in the past stressed creating online education programs hosted by other third party organizations to assist veterans with obtaining basic literacy skills. This current plan would create an online platform to match veterans with entrepreneurial education and career opportunities and to provide grants to Small Business Development Centers around the country and other business development organizations to specifically assist veterans.

Online Development Programs

The current staff of the Veterans Corporation has focused on employing the use of the worldwide web to reach veterans. According to TVC representatives a combination of services, online and distance learning will serve the largest number of veterans needing entrepreneurial services in all fifty states. TVC expects to launch a Virtual Veterans Business Center in cooperation with SBA's Service Corps of Retired Executives (SCORE) to provide a nation-wide, market specific, person-to-person counseling service to veterans not only in America, but deployed overseas as well.

TVC has also launched a Virtual Business Incubator with the specific aim of helping National Guard and Reservists who own businesses and are currently deployed in Afghanistan, Iraq or any place else in the world. "*Deploy Proof Your Business*" is another online program specifically designed to assist members of the National Guard and Reserve components in protecting their businesses prior to deployment.

The American Legion fully supports these progressive programs aimed at the technologically astute veteran.

Small Business Development Centers

The Small Business Development Centers (SBDC) are already funded almost \$90 million a year by SBA and our understanding is their written agreements with SBA provide direction for their specific creation or operation of veteran, service-connected disabled veteran and reserve component member entrepreneurial assistance. Why does the SBDC need an additional, third party organization such as the Veterans Corporation to provide them additional funds from Congress to perform what they are already funded to deliver by SBA? If SBDCs require additional resources to enhance, improve, develop or deliver specialized assistance to veterans and reservists that funding process should be through their normal funding channel of the SBA. Additionally, should Congress choose to provide additional resources to SBA to enhance SBDC programs specifically for veterans and reserve component servicemembers, the Office of Veterans Business Development should be part of the program design, selection and oversight process to ensure that the expertise of veterans, including the policy and program delivery and reporting requirements, are designed and developed by the SBA office whose responsibility by law is veterans' business development.

Public Law 106-50

The American Legion acknowledges that the requirements of Public Law 106-50 as originally envisioned are not being met by TVC at the present time due to the scope of the mission and funding requirements. The American Legion agrees with the view that forcing TVC to duplicate or replicate preexisting services such as those provided by the Small Business Development Centers (SBDC), Procurement Technical Assistance Centers and Department of Labor One Stop Centers does not prudently use taxpayer funds or the limited dollars given to TVC.

Therefore, The American Legion recommends that the resource-training centers (St. Louis, MO; Flint, MI; and Boston, MA) that TVC is currently providing funding for be given to the jurisdiction of the SBA veteran's development office.

The SBA's veterans development office is presently funding five such centers around the country and should be given the additional three. In addition, the SBA office should take on the responsibility of partnering with military and Veterans Affairs hospitals, Transition Assistance Programs (TAP), State Departments of Veterans Affairs, Procurement Technical Assistance Centers, Military Family Support Centers, and Veterans Service Organizations to provide employment and entrepreneurship programs along with the addition of funding and necessary senior staff to oversee the implementation and development of such a program. TVC would operate more effectively acting as a liaison with existing associations of small business owners and, by working with SBA programs, ensure the involvement of private and successful military alumni from the business community to help support SBA's successful (re) integration of veteran and reserve component entrepreneurs into the private and public American marketplace.

H.R. 1712 “The Veterans Federal Procurement Opportunity Act of 2003”

The American Legion has encouraged Congress to require reasonable “set asides” of Federal procurements and contracts for businesses owned and operated by veterans. The American Legion supported legislation in the past that sought to add service-connected disabled veterans to the list of specified small business categories receiving three-percent set asides. Public Law 106–50, “*The Veterans Entrepreneurship and Small Business Development Act 1999*” included veterans small businesses within Federal contracting and subcontracting goals for small business owners and within goals for the participation of small businesses in Federal procurement contracts. It requires the head of each Federal agency to establish agency goals for the participation, by small businesses owned and controlled by service-connected disabled veteran, in that agency’s procurement contracts.

Agency compliance with P.L. 106–50 has been minimal with only two agencies self-reporting that they have met their goals, (the Department of Veterans Affairs and the Small Business Administration). Other agencies like the Defense Information Systems Agency only set a goal for .5 percent in FY 06 and .06 percent for FY 07. H.R. 1712 was supposed to codify the three-percent set aside and provide consequences for agencies not meeting these goals. The American Legion is disappointed with the lack of compliance with the 3 percent requirement mandated in P.L. 106–50 and the lack of implementation of H.R. 1712. The American Legion is also dismayed that the only data available that gives a breakdown of how agencies are making their procurement goals is FY 2005 data. It is amazing that as we are now looking ahead to FY 2008, there is no sure way of ascertaining how agencies are meeting objectives set 7 years ago P.L. 106–50.

According to testimony submitted by SBA during a May 2, 2007 hearing on the status of veterans business, “Though the Federal Government has yet to achieve the required three percent goal, it is making progress toward accomplishing it. In 2004, President Bush issued Executive Order 13360 to strengthen opportunities in Federal contracting for service-disabled veteran-owned businesses. Preliminary data shows that SBA and the Department of Veteran Affairs both exceed the three present goals for SDVO small businesses for FY 2006. Final data is not yet available to confirm FY 2006 accomplishments”. This is not and should not be acceptable; the final results for FY 2006 should have been published months ago along with a breakdown of the number and sizes of the contracts awarded to service disabled veteran companies.

Recommendations

1. Incorporate Executive Order 13360 into SBA Regulations and Standard Operating Procedures

The American Legion endorses these recommendations given from the “Advisory Committee on Veterans Business Affairs” FY 2006 SBA report.

- “The SBA needs to reemphasize implementation of Executive Order 13360 and establish it as a Federal procurement priority across the entire Federal sector. Federal agencies need to be held accountable, by the SBA, for their implementing Executive Order 13360 and their progress toward the 3 percent goal. The SBA needs to establish a means to monitor agencies progress and where appropriate, establish a vehicle to report or otherwise identify those that are not in compliance, and pursue ongoing followup”.
- “To achieve the SDVOSB procurement goal contained in Executive Order 13360, the SBA must identify all agencies affected by the Executive Order under the directive of Congress. Then the SBA should assist these agencies to develop a demonstrable, measured strategic plan and establish realistic reporting criteria. Once the information is received, disseminate this data to all agencies, Veterans Organizations and post on SBA website as a bellwether of program progress”.

2. Change to Sole Source Contracting Methods

“To provide parity among special emphasis procurement programs the SBA should take immediate, appropriate steps to promulgate regulations to revise 13 CFR 125.20. The proposed revision would eliminate existing restrictions on the award of sole source contracts to SDVOSB such as the “Rule of Two”. The change should mirror 13 CFR 124.508, which applies to 8 (a) Program participants and states . . . In order to be eligible to receive a sole source 8 (a) contract, a firm must be a current participant on the date of the award . . . Accordingly, adopting this language would eliminate all restrictions on sole source awards to SDVOSBs”.

In Conclusion

The American Legion's National Economics Commission mission is to take actions that affect the economic well-being of veterans, including issues relating to veterans' employment, home loans, vocational rehabilitation, homelessness and small business. The American Legion reinstates the Small Business Administration's office of Veterans' Business Development should be the lead agency to ensure that veterans returning from Iraq and Afghanistan are provided with Entrepreneurial Development Assistance.

Comprehensive training should be handled by the SBA and augmented by TVC's online training. Resource Training Centers should include DoD and VA faculties. Currently, many military families are suffering financial hardship while their loved ones are recuperating in military hospitals around the country. Many spouses leave their jobs to be with that disabled servicemember only to watch their finances deteriorate. Seamless transition in many cases is just a wishful thought; however, if business development training was offered to military members, a small home based business that is flexible could be the answer in guaranteeing a constant source of revenue for the family, in turn making them less dependent on the Federal Government.

The American Legion also strongly supports the mandates of P.L. 106-50 that were designed to assist all veterans wishing to start, expand or protect their business. If there is a true desire to assist veterans returning from Iraq and Afghanistan in developing small businesses we must work together to enforce the mandates of P.L. 106-50.

Thank you, Mr. Chairman, for allowing The American Legion to provide written comments on this very important issue.

Prepared Statement of Eric A. Hilleman, Deputy Director, National Legislative Service, Veterans of Foreign Wars of the United States

MADAM CHAIRWOMAN AND MEMBERS OF THIS COMMITTEE:

Thank you for allowing the Veterans of Foreign Wars of the U.S. (VFW) to testify today.

In 1999, Public Law 106-50 established a "Government-Wide Participation Goal" for SDVOSB, requiring "not less than three percent of the total value of all prime contract and subcontract awards for each fiscal year." This law was designed to provide a minimum standard of participation for service-disabled veterans. To date, the government has not met this goal.

In 2003, Public Law 108-183 expanded government procurement to allow for sole-source contracting with SDVOSB. Sole-source contracting was made available for all fair and reasonable contracts under \$5 million for industrial and/or manufacturing, and under \$3 million for all other contracts. The intent of this law was to grant government procurement officials greater flexibility when contracting with an SDVOSB.

The VFW stands by its resolution, Number 658, *Mandating Three Percent of Federal Contracts for Service-Disabled Veteran-Owned Small Businesses*. To date, the government has failed to meet the three-percent goal prescribed by 106th and enhanced by the 108th Congresses. We applaud this Subcommittee for exercising oversight on this issue. We believe the lack of adherence to this goal has been due to an absence of Agency leadership and Congressional oversight. Agencies such as the Department of Defense, Department of Veterans Affairs, the Department of Labor, Small Business Administration, and General Services Administration must play an important role in promoting this goal.

On October 20, 2004, President Bush issued an Executive Order to strengthen opportunities in Federal contracting for service-disabled veteran-owned businesses. This Executive Order lays out the structure for government-wide implementation of the three-percent procurement goal. It promotes agency accountability, training for government procurement officers, and agency executives' implementation planning and cooperation. We believe this Order is a necessary step toward realizing adherence to the three-percent goal.

We urge the Congress, and specifically this Committee, to continue to investigate Federal procurement practices. Federal agencies must be required to adhere to this Executive Order. Reporting standards have been further defined by law and outlined in the Executive Order. We ask that this Committee continue to highlight this issue—with the purpose of promoting SDVOSB participation in all government-wide prime contract and subcontract awards.

Fair contracting practices will remain a priority of the VFW until SDVOSBs are given equal participation as other priority contracting groups. Service-disabled veterans have faced disadvantages in the market due to lenders' unwillingness to extend credit to disabled individuals. Disabled veterans are seen as a greater credit risk by financial institutions and are often perceived as less capable. The three percent set aside for government procurement is a means of enabling SDVOSBs. The set aside provides that opportunity for service-disabled veterans, granting empowerment within the market through increased customer base and access to capital.

Madam Chairwoman and Members of the Subcommittee, this concludes the VFW's testimony. We again thank you for examining this issue and including us in this important discussion.

Prepared Statement of William D. Elmore, Associate Administrator, Office of Veterans Business Development, U.S. Small Business Administration

Chairwoman Herseth Sandlin, Ranking Member Boozman and distinguished Members of the Committee, thank you for the opportunity to appear before you today to share information on the activities of the U.S. Small Business Administration (SBA) regarding our efforts to assist and support Federal procurement opportunities and success of veterans, including those who have incurred a service-connected disability.

I am William Elmore, the Associate Administrator for Veterans Business Development, and I am pleased to be here today representing Administrator Preston and other SBA employees who work every day to support the small business success of America's veterans, reservists, and family members. The mission of the Office of Veterans Business Development is to maximize the availability, applicability and usability of all Administration small business programs for Veterans, Service-Disabled Veterans, Reserve Component members of the U.S. Military, and for their Dependents or Survivors.

It is important to note that SBA's efforts to support veteran entrepreneurs go significantly beyond the activities of SBA's Office of VBD. Each program at SBA is tasked with expanding and improving their services specifically for veterans and service-disabled veterans. This includes our Capital Access (loan) programs, our business counseling and training programs, our procurement programs, our field offices and our Disaster Assistance program. Thus far, the results have been good; the number of new loans being made to veterans has increased significantly. The number of new loans to veterans has grown from 4,800 in FY 2000 to approximately 8,000 in FY 2006. Additionally, loans to startup businesses owned by veterans continues to see considerable growth-nearly doubling the 1,300 7(a) loans in FY 2000 to almost 2,500 in FY 2006. SBA Business outreach, counseling and training services assist more than 100,000 veterans, reservists, active service members and spouses each year, including the growth of special outreach and coordination efforts through our district and Regional offices.

Federal procurement opportunity for veterans is an important issue to SBA, to the emerging veteran business community, and to the government's ability to secure the goods and services it needs, especially during this period of mobilization for the Global War on Terror. SBA understands the critical skills that military members and reservists bring to this international effort. In this context, I am pleased to be sharing with you some of the initiatives and accomplishments the SBA has made over the past 6 years.

As expressed in the January 24, 2007 Memorandum For Heads of Departments and Agencies jointly issued by Administrator Preston and Office of Federal Procurement Policy Administrator Dennet, the Administration is broadly committed to enhancing all of our entrepreneurial programs and services for veterans and reservists returning from duty in the Global War on Terror, and more specifically for those service members injured or disabled in service to America.

Prime contracts have a three percent government-wide Federal procurement goal established by Public Law (PL) 106-50 for small businesses owned and controlled by service-disabled veterans. In addition, PL 106-50 established a "best efforts" clause for veterans in Federal procurement at the subcontracting level. Though the Federal Government has yet to achieve the required three percent goal, it is making progress toward accomplishing it. As you know, in 2004, President Bush issued Executive Order 13360 to strengthen procurement opportunities in Federal contracting for service disabled veteran-owned small businesses (SDVOSBs). As mandated by E.O. 13360, the General Services Administration (GSA) established the Veterans Technology Services (VETS) Government-wide Acquisition Contract (GWAC). VETS

is a IT contract designed to help Federal agencies meet their three percent goal by purchasing information technology solutions from SDVOSBs. GSA also offers opportunities for Federal agencies to contract with SDVOSBs for other services and supplies through the use of multiple GSA Multiple Award Schedule program. Preliminary data shows that both SBA and the Department of Veteran Affairs (VA) exceeded our three percent goals for SDVO small businesses in FY 2006, with SBA achieving more than four percent. This example demonstrates leadership by example, and represents a significant improvement for both agencies over our achievement in FY 2005.

SBA is currently reviewing the final FY 2006 reports from the Federal Procurement Data System. The preliminary data suggests significant efforts toward an improvement in achieving the three percent goal. This improvement reflects the ongoing SBA efforts, and the efforts of most Federal agencies. It also demonstrates the increasing ability of service disabled veteran-owned small businesses (SDVOSBs) in pursuing contracting opportunities and in securing contracts.

On July 9, 2007, the number of small businesses owned by service disabled veterans (SDVs) expressing interest in Federal procurement by registering in the Government's Central Contractor Registration (CCR) was 9,642 and the number of Veterans Owned Small Businesses was 37,282. While SBA is analyzing what agencies are buying and comparing that to what SDVOSBs are selling, we are also strengthening the full range of SBA programs for: veterans, service-disabled veterans, reservists, discharging service members and the spouses and widows of service members. Improvements include strengthening our written agreements with our Small Business Development Centers, growing SCORE's online assistance for veterans and reservists, funding Veterans Business Outreach Centers, growing our District Office-Veterans Outreach initiative, targeting veterans and veteran reservists in our Community Express Loan program, establishing the new Patriot Express Loan, improving our Surety Bond program, developing a public/private Matchmaking program specifically for veterans, focusing more PCR/CMR activity on veterans, establishing the electronic Scorecard for Federal agencies and working to reconcile the differences between the SBA procurement rules for veterans and the Federal Acquisition Regulation procurement rules for veterans. We are also working with the Department of Defense (DoD), and the Department of Labor (DOL) to enhance our involvement in TURBO TAP (Transition Assistance Program), in efforts to improve small business opportunity and employment support for returning veterans and reservists, and assisting various components of DoD in various planning initiatives.

At the request of both SBA and the veterans' advocacy community, the U.S. Census Bureau included veteran and SDV status questions in their 2002 survey of small business owners. These questions mark the first time we have an accurate count of the number of veteran and SDV small business owners in the American small business marketplace. This Census survey found that approximately 0.7 percent of small businesses in America are owned by SDVs, and approximately 14 percent of all small businesses are owned by veterans. The 2002 statistics released by the Census Bureau indicate that 2.6 percent of veteran owned firms sell to the Federal Government, while only 2 percent of all firms take advantage of the Federal market place. These findings reinforce our efforts to strengthen the full breath of SBA programs and services specifically for SDV and all veteran business owners. SBA is strongly committed to working with all of our programs and with all of our Federal agency counterparts to reach out to and help create more veteran-owned small businesses, and to make use of their talents and services in Federal procurement, in strengthening the American economy and in strengthening America's involvement in the International economy.

This concludes my comments, and I welcome any questions you might have.

**Prepared Statement of Louis J. Celli, Jr., Chairman, Advisory Committee
for Veterans Business Affairs, U.S. Small Business Administration, and
Chief Executive Officer, Northeast Veterans Business Resource Center**

EXECUTIVE SUMMARY

Each year the Federal Government purchases billions of dollars in goods and services from private firms that range from paperclips to space ships. It is the policy of the United States, as stated in the Small Business Act 1953, that all small businesses have the *maximum practicable opportunity* to participate in providing goods and services to the government.

To foster an equitable Federal procurement policy, government-wide small business goals are established for Federal agencies as percentages of annual expenditures. Each agency submits its proposed goals to the SBA which ensures that the aggregate government-wide statutory goals are met. Currently, the statutory small business goal is 23 percent, the goal for Small Disadvantaged Businesses is 5 percent, as well as 5 percent for businesses owned by Women, and 3 percent for businesses in HUB zones, and finally Service Disabled Veteran Owned businesses at 3 percent as well.

Public Law 93-400 requires the Office of Management and Budget to collect and disseminate procurement data for the needs of Congress, the Executive Branch and the public sector. In order for SBA to track the goals and actual achievements, Federal agencies are required to provide the SBA with estimates of the total dollar amount of all prime contracts to be awarded that fiscal year and estimates of the total dollar amount of all subcontracts to be awarded by the agency's reporting prime contractors.

At the end of each fiscal year, the head of each agency is **required** to review its report and, if required, submit the appropriate justification to SBA for failure to meet specific goals with a plan to achieve the goals in the succeeding fiscal year.

According to the Guidance on Goal Setting Under Procurement Preference Programs which was established in 1999, Federal agencies are required to report to the SBA Final Prime Contract SF-279 and SF-281 data. Essentially, their achievement dollar amounts and percentages for Small Business and Preference Program performance for the previous year.

As of July 9th 2007 the website which displays this data for the SBA is: www.sba.gov/aboutsba/sbaprograms/goals.

This site contains the reporting information for FY 1998 through FY 2007. While FY 2000, 2001 and 2002 data are missing, the most recent compliance report available is from FY 2005.

In FY 2005 the Federal Government spent 80 Billion dollars with Small Businesses, roughly 25 percent of the 2005 fiscal budget for that year. Of that amount, Service Disabled Veteran Owned Businesses only received slightly more than one-half of one percent (0.61 percent).

Despite a 1999 law establishing the government-wide three percent contracting goal with service-disabled veteran-owned businesses, the Federal Government has never met this standard. In 2005 (again, most recent data published), the Department of Defense (DoD) awarded an abysmally low 0.499 percent of contracts to service-disabled veteran-owned businesses. DoD accounts for roughly 70 percent of all government procurement spending, yet its repeated inability to meet service-disabled veteran contracting goals makes it all but impossible for the Federal Government as a whole to meet the three percent goal.

Oral Testimony

Good morning Chairwoman Herseth Sandlin, Ranking Member Boozman and members of this Subcommittee. Thank you for inviting me back to testify before your subcommittee and discuss the 3 percent Federal procurement goal for Service Disabled Veterans.

When Congress passed the Veterans Entrepreneurship and Small Business Development Act 1999 (Public Law (PL) 106-50), it stated in its findings that ***America had not done nearly enough to 'assist veterans, particularly service-disabled veterans, in playing a greater role in the economy of the United States by forming and expanding small business enterprises.'***

My name is Louis Celli and as you may remember, I am a 22 year retired Master Sergeant from the United States Army, a Service Disabled Veteran and have started 2 businesses. I am the Chairman of the SBA's Veterans Small Business Advisory Committee and the Vice Chairman for the American Legion's National Small Business Task Force.

You have before you the statistics, and nearly every witness here today will remind you of the lack of performance by our Federal contracting activities with regard to contracting with veterans, and specifically Service Disabled Veterans. Most of what you have heard here today is common knowledge and I am sure that most of this information you already knew.

So the question you should be asking today isn't as much why, but how do we fix it. While agencies continue to scuff their feet and say "Gee, we're trying", then publish 5 year strategic plans which are meaningless and don't begin until 5 years after the law was established compelling them to comply, we continue to disarm the agency who is supposed to be monitoring this activity. The Small Business Administration (SBA) is the oversight agency which is in place and the *only* agency which

has the authority to work with Federal agencies and force them to comply if necessary. Additionally, the SBA has a training, outreach and advocacy mission which was designed to address and round out this mission of Federal procurement and small business success in America. The real problem is that over the past six plus years, the SBA has been summarily disassembled. Whittled down to what is now little more than a skeleton crew, with barely enough employees left to handle the other part of their mission of loan underwriting and disaster assistance.

How did this happen? From an agency of 3 primary departments and more than 3,000 employees, with an annual budget of more than a billion dollars to the crippled down agency it is today having lost one third of their workforce. Unfortunately, what didn't go away was the administrative duties still required on a daily basis to run the SBA, and the real world disaster mission. What falls behind is the mission of training, advocacy, support, and contracting oversight. And as we all know, in government size does matter.

Having served as a Federal employee, a military member, an advisor to congressional staff and as a small business consultant, I have seen firsthand the reactionary nature of bureaucracies and understand why we diverted funding away from the SBA, but as I testify before you here today, my professional advice to this committee is to restore the SBA to its full strength and capacity before it is too late.

When the economy is robust, it is our nature to relax, this is how the SBA became decrepit. But any good businessowner knows that they also have to be an economist and need to be able to predict future trends if they are going to stay in business, and if you, congress, want to save or grow small businesses in America, Service Disabled, Women, Minority, Socially Disadvantaged, Hub Zone and all other owned small businesses, then you need to act now and restore the SBA to its full compliment. If we wait until small businesses begin to decline, it will be too late.

A properly strengthened SBA can train and educate contracting officers, intervene in bundling and large vs. small business competition decisions, assist and train Service Disabled Veteran Owned Small businesses, aggressively pursue agency Small Business Correction Plans, monitor and hold accountable prime contractor's small business sub contracting plans, preside over award disputes, monitor and maintain the program and HOLD AGENCIES ACCOUNTABLE so you will have one agency to drag onto the carpet when the wheels fall off the cart rather than trying to chase down agencies individually. Just think of how much easier your jobs would be.

One suggestion I have is to establish a "Veterans Small Business and Entrepreneurship Subcommittee" within the Congress. Veterans Entrepreneurship has become a project which is currently being addressed by at least 4 separate Senate and 4 separate House committees. Much of this work is commonly themed but much of it is diametrically opposed. The Veterans Small Business and Entrepreneurship act of 1999 discusses at least three different Committees who have direct involvement in this program yet there is no common ground, no working committee.

I am currently working with the Veterans Administration and the Compensated Work Therapy program under a special project called the "Veterans Construction Team". This project is an anomaly within the VA and allows for this team to compete directly with the Federal Government for contracts with which they employ veterans who are recovering and being treated at the Edith Nourse Rogers Memorial Veterans Hospital in Bedford, Massachusetts. We are currently working with Native American Veterans and Tribal Council to bring this program to the Native American Reservations in South Dakota and I have Mr. Bernie Cournoyer with me today should you wish to hear more about this rehabilitative program.

The reason that I bring this up is because the work therapy portion of this program is only half the battle, the other half is the constant education of the contracting officers and working with them to get them to understand what the Service Disabled Veteran Owned Program is. I have probably had to explain Public Law 109-461 to more VA contracting officers and staff than I have to veterans at conferences. When I spoke with a contracting office at the office of Immigration and Boarder Protection, I was told that the educational portion of contracting wasn't their responsibility when it came to educating contracting officers regarding preference programs, that it was the responsibility of the SBA.

So here you have agencies who take no responsibility for educating their own contracting staff as to meeting the goals of the Service Disabled Veteran Business owners initiative and an agency, the SBA, who is underfunded and powerless to do anything about it because all of their resources are committed to more immediate matters, yet the authority and responsibility still resides with them.

Madame President, Ranking Member Boozman, if you want to address this issue of meeting our 3 percent obligation to Service Disabled Veterans in the United States of America, you are going to have to fund it, by reconstituting the SBA.

The attached is correspondence is between Senator Kerry and the Department of Defense, and a sample of the DoD 5 year plan. The complete plan can be found at the provided link in the reference section below;

U.S. Senate,
Washington, DC
May 15, 2007

Hon. Robert Gates
U.S. Department of Defense
The Pentagon
Room 3E880
Washington, DC 20301-1000

Dear Secretary Gates:

I am writing concerning the Department of Defense's policy with respect to contracting with service-disabled veteran owned businesses (SDVOBs). Although Congress enacted a government-wide procurement goal of three percent for service-disabled veteran owned businesses, every year since that law has been in place the Department of Defense has failed to meet that contracting goal. In light of the honorable sacrifices that service-disabled veterans have made for our country, I urge you to do everything in your power to meet and exceed the three percent goal required by law.

As you know, in 1999, Congress enacted Public Law 106-50 which set the government-wide procurement goal of three percent with SDVOBs. The law also called on each agency to determine the "maximum practicable opportunity" for these firms (Title 15 Chapter 14A section 644 (g) (1)).

The Department of Defense accounts for nearly 70 percent of all Federal procurement spending, totaling an estimated \$219 billion in FY 2005. Given that reality, it is virtually impossible for the entire Federal Government to meet the law's three percent goal for SDVOBs without the Department of Defense. However, in 2005, the Department of Defense awarded a mere .499 percent of contracts to service-disabled owned firms. It is hard to believe that less than one half of one percent of all defense contracts is the "maximum practicable opportunity" for the Defense Department to do business with SDVOBs.

I am especially disturbed by reports that Department of Defense personnel are telling veterans that the agency is not bound by the three percent goal for contracting with SDVOBs. Given these reports and the lack of progress in meeting the SDVOB goal, I would like an immediate explanation of the Department's policy for contracting with SDVOBs. Please provide a clear statement as to whether the agency intends to meet the three percent contracting goal. If the Department of Defense is not attempting to meet the three percent contracting goal, has the agency formally established its own contracting goal for service-disabled veterans? And if so, what is that goal? Specifically, what is the Department of Defense doing to improve its record on contracting with service-disabled veteran owned businesses?

In another matter, on January 31, the Committee on Small Business and Entrepreneurship held a hearing entitled, "Assessing Federal Small Business Assistance Programs for Veterans and Reservists." One of the witnesses at that hearing was Ms. Linda Oliver, Interim Acting Director of the Office of Small Business. A number of Senators submitted questions to Ms. Oliver to answer in writing for the record, but it has been over three months, and we still have not received her responses. Enclosed, please find a copy of those questions. I respectfully request responses to them within one week of the receipt of this letter.

Please provide me with all other information requested by June 1, 2007. Thank you for your attention to this matter of critical importance to me as a veteran, and to the millions of service-disabled veterans who continue to honorably serve their country by contributing to the economy as successful entrepreneurs. If you have any questions please do not hesitate to contact me or have a member of your staff contact Gregory Willis or Karen Radermacher at 202-224-5175. I look forward to hearing from you soon.

Sincerely,

John F. Kerry



SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

JUN 7 2007

The Honorable John F. Kerry
Chairman, Committee on Small
Business & Entrepreneurship
United States Senate
Washington, DC 20510

Dear Chairman Kerry:

Thank you for your May 15 letter expressing your concern over Department of Defense (DoD) progress in achieving the Government-wide procurement goal for Service-Disabled Veteran-Owned Small Business (SDVOSB). I share your disappointment that the Department has not achieved the 3 percent goal for SDVOSBs. We are currently reviewing past activities to ascertain reasons for the shortfall. In fact, the DoD Office of Small Business Programs has arranged for a contract with an SDVOSB to perform an in-depth analysis of the SDVOSB supplier base and its role in DoD procurement. This study will help focus our procurement policies and outreach strategies to meet these businesses' needs.

The Department has always intended to meet the 3 percent goal. We have a number of initiatives designed to achieve this objective.

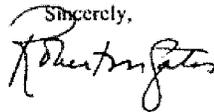
- On May 10, 2005, the Department issued its Service-Disabled Veteran-Owned Strategic Plan in response to Executive Order 13360. The focus of this 5-year strategic plan is to increase prime and subcontracting opportunities for SDVOSBs. It is to be adjusted annually. The second year plan was published on July 20, 2006. We are currently preparing the third year of the plan.
- Eligibility to participate in the DoD Mentor-Protégé Program was extended to SDVOSBs by section 842 of the Ronald W. Reagan National Defense Authorization Act for FY 2005, enacted in October of 2004. Since that time, DoD has approved 20 Mentor-Protégé agreements with SDVOSB firms. To put this in perspective, DoD has a total of 145 Mentor-Protégé agreements, of which 14 percent are with SDVOSB firms.
- The Under Secretary of Defense for Acquisition, Technology and Logistics advised (Enclosure 1) DoD contracting professionals of the new Veterans Government-Wide Acquisition Contract, which currently has 44



contract holders that are SDVOSBs. The Director, Defense Procurement and Acquisition Policy, also requested (Enclosure 2) the Department's assistance in meeting the 3 percent goal.

- The DoD Office of Small Business Programs has advised SDVOSB firms to register annually in the Central Contractor Registration (CCR). Since this outreach was started, the number of active registrants in CCR has increased from 2,175 in FY 2003 to more than 9,600 in FY 2007. As a general matter, prospective contractors must register in the CCR database prior to award of a Federal Government contract.
- The Procurement Technical Assistance Program (PTAP) has also been very effective in assisting SDVOSBs. This program provides procurement assistance to small business concerns. The PTAP has been successful in identifying SDVOSB firms as potential protégés to mentors under the DoD Mentor-Protégé Program. During the 2004-2005 timeframe, the Procurement Technical Assistance Centers provided nearly 9,000 counseling sessions to SDVOSBs.

I assure you the Department will continue to take the 3 percent goal very seriously. More information concerning DoD support of SDVOSBs is available at <http://www.acq.osd.mil/osbp>.

Sincerely,


Enclosures:
As stated



THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

1 APR 12 2007

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS
AND MATERIAL READINESS)
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ATSD NUCLEAR AND CHEMICAL AND BIOLOGICAL
DEFENSE PROGRAMS
DIRECTORS OF THE DEFENSE AGENCIES
DEPUTY UNDER SECRETARY OF DEFENSE,
INSTALLATIONS AND ENVIRONMENT
DEPUTY UNDER SECRETARY OF DEFENSE,
INDUSTRIAL POLICY
DEPUTY UNDER SECRETARY OF DEFENSE,
INTERNATIONAL TECHNOLOGY SECURITY
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: General Services Administration (GSA) Government-Wide Acquisition
Contract (GWAC) for Service-Disabled Veteran-Owned Small Businesses
(SDVOSBs) in Information Technology

The GSA approved 43 Teams of SDVOSBs on February 2 to participate in federal information technology acquisitions through a GWAC. The GSA Administrator has requested a statement of the DoD-level participation in this GWAC, and we have replied by letter. To the extent that any of the SDVOSB Teams listed by GSA meets the requirements of a DoD buying activity, I encourage you to accord these SDVOSB Teams the maximum practicable opportunity to participate. For information on participation, training, and the list of 43 SDVOSB teams and points of contact, visit www.gsa.gov/sbu.

I urge the acquisition community and major commands to use this GSA contract vehicle to meet the 3 percent procurement goal established by Congress and incorporated into the DoD Service-disabled Veteran-owned Small Business Strategic Plan, which is posted at www.acq.osd.mil/vosbp/programs/veterans. The Department has made contract awards to firms owned by service-disabled veterans who have served in World War II, the Korean War, the Vietnam War, the Gulf wars, Operation ENDURING FREEDOM and IRAQI FREEDOM. While we have made progress toward meeting the goal, we still have a long way to go. We must pursue this goal with vigor.



Many more disabled veterans will return from the campaigns in Iraq and Afghanistan and will seek to participate in DoD procurements, including GWACs, such as this one. By contracting with these teams of businesses owned by service-disabled veterans, we acknowledge their service as Warfighters and appreciate their acumen as entrepreneurs and vendors to the Department.

Sincerely,

Handwritten signature of Kenneth J. ...



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

MAY 18 2007

DPAP/CPIC

MEMORANDUM FOR DIRECTORS, DEFENSE AGENCIES
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(POLICY AND PROCUREMENT), ASA(ALT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION MANAGEMENT), ASN(RDA)
DEPUTY ASSISTANT SECRETARY OF THE AIR
FORCE (CONTRACTING), SAF/AQC
DIRECTOR, ADMINISTRATION AND MANAGEMENT

SUBJECT: Service-Disabled Veteran-Owned Small Business Procurement Program

We need to improve the Department of Defense's (DoD) business opportunities for Service-Disabled Veteran-Owned Small Business (SDVOSB) concerns. While the Department has made tremendous progress in increasing SDVOSB prime contract awards from \$1.1 billion in FY05 to \$1.5 billion in FY06, we remain significantly short of our \$9 billion dollar goal (3%). A considerable amount of work needs to be accomplished if we are to achieve our goal. The following paragraphs discuss actions taken and tools available to the acquisition workforce.

The Under Secretary of Defense for Acquisition, Technology and Logistics signed the attached memorandum on April 12, 2007, encouraging the use of the Veterans Technology Services (VETS) Government-Wide Acquisition Contract (GWAC). The VETS GWAC is a small business set-aside contract for SDVOSBs and comprises of 44 information technology companies. I encourage the acquisition workforce to use the VETS GWAC, <http://www.gsa.gov/vetsgwac>, when appropriate. As a reminder, the Department's policy on "Proper Use of Non-DoD Contracts," is applicable when using the VETS GWAC contract vehicle. This policy is located on the Defense Procurement and Acquisition Policy website at <http://www.acq.osd.mil/dpap/specificpolicy/index.htm>.

The SDVOSB Procurement Program, authorized by 15 U.S.C. 657f, is implemented in the Federal Acquisition Regulation (FAR) Subpart 19.14. It allows contracting officers to set-aside acquisitions exceeding the micro-purchase threshold for competition restricted to SDVOSB concerns if there is a reasonable expectation that offers will be received from two or more SDVOSB concerns, and award will be made at a fair market price. FAR subpart 19.1406 implements the authorities that allows

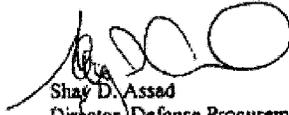


contracting officers to make a sole source award to a SDVOSB concern. Contracting officers should be reminded of their market research responsibilities to ascertain the availability and capability of SDVOSBs, and to seek advice from the Component small business specialist. A useful resource for obtaining SDVOSB vendor information is located on the U.S. Department of Veterans Affairs Center for Veterans Enterprise homepage at <http://www.vetbiz.gov/>.

The DoD Office of Small Business Programs (OSBP) is responsible for implementation of Executive Order 13360, "Providing Opportunities for Service-Disabled Veteran Businesses to Increase their Federal Contracting and Subcontracting." The Executive Order and the updated DoD SDVOSB strategic plan are located at <http://www.ecq.osd.mil/osbp/programs/veterans/index.htm>. The DoD OSBP has been proactive in advising SDVOSB firms to register in the Central Contractor Registration (CCR). The number of firms registered has increased from 2,175 in FY03 to more than 12,000 in FY06. The Defense Acquisition University (DAU) has developed a one hour SDVOSB training module (CLC069). It is available at <http://www.dau.mil>. The DAU and Veterans Corporation websites, <http://www.veteranscorp.org/>, have eight one-hour training sessions recorded at the "Veterans Doing Business with DoD" conference hosted by DoD in December 2006. The number of SDVOSB protégés has increased from three to nineteen participating in active DoD Mentor-Protégé agreements.

We need to dedicate efforts toward promoting increased business opportunities for those warfighters who have sacrificed in service to our Nation. By increasing business opportunities for SDVOSB concerns, not only will we demonstrate improvement towards meeting our goals, we will also be giving something back to the service disabled veterans by creating opportunities for them to provide goods and services in support of the DoD mission.

My staff point of contact for service-disabled veteran-owned small business policy is Ms. Susan Pollack, (703) 697-8336 or susan.pollack@osd.mil.



Shay D. Assad
Director, Defense Procurement
and Acquisition Policy

Attachment:
As stated



ACQUISITION AND TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3010



JUL 14 2008

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Implementation of Presidential Executive Order 13360 and SECDEF
Strategic Plan for Significantly Increasing Contracting and Subcontracting
Opportunities for Service-disabled Veteran-owned Small Businesses

The Department of Defense continues to feel a special obligation to service-disabled veterans. We look forward to their participation in the President's "Ownership Society" as entrepreneurs supplying goods and services to the Department of Defense. We appreciate their past sacrifices as war fighters as well as their demonstrated excellence as our business partners.

The second year version of this five-year strategic plan is attached and can be viewed electronically at www.acq.osd.mil/osbp. I urge you to read it and to pursue all of its objectives.


Kenneth J. Krieg

Attachments:
As stated



OFFICE OF THE UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS

Goal: Strengthen Opportunities in Federal Contracting
and Subcontracting for Service-Disabled Veteran-
Owned Small Businesses (SDVOSBs)



Objectives of Strategic Plan

Increase:

- ✓ Number of SDVOSBs in Central Contractor Registration (CCR)
- ✓ Training and outreach of acquisition community to increase use of sole source and restricted competition
- ✓ SDVOSB participation in the Mentor-Protégé Program
- ✓ Large prime subcontracting awards to SDVOSBs
- ✓ Surety bonding capacity for SDVOSBs with construction and environmental remediation NAICS Codes
- ✓ Teaming agreements and joint ventures to enhance capacity and capability of SDVOSBs

References Used

1. Small Business Administration Programs page. This page links to the agency reports: www.sba.gov/aboutsba/sbaprograms/goals
2. SBA Goal setting and reporting Guidance (1999 guidance policy letter): www.sba.gov/idc/groups/public/documents/sba__program__office/goals__fy00_guidance.pdf
3. Year 2 of DoD's 5 year strategic plan: [www.acq.osd.mil/osbp/programs/veterans/SDVOSE%20Strategic%20Plan%202nd%20Year%20\(signed\).pdf](http://www.acq.osd.mil/osbp/programs/veterans/SDVOSE%20Strategic%20Plan%202nd%20Year%20(signed).pdf)
4. 2002 Survey of Veteran Business Owners, released July 3rd, 2007: www.census.gov/csd/sbo/veteran2002.htm
5. PL 109-461: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109__cong_public_laws&docid=f:publ461.109.pdf
Center for Veteran Enterprise (CVE) version (easier to read) www.vetbiz.gov/library/PL109-461.htm

Prepared Statement of Scott F. Denniston, Director, Office of Small and Disadvantaged Business Utilization and the Center for Veterans Enterprise, U.S. Department of Veterans Affairs

Madame Chairwoman and Committee Members, thank you for convening this hearing to examine the current state of the Federal Veterans' Entrepreneurship Program. I am honored to represent Secretary Nicholson, Deputy Secretary Mansfield and the dedicated employees throughout the Department of Veterans Affairs who serve our veterans daily.

Much progress has been made since the May 17, 2007, hearing on this program. On June 14, VA and the Veterans Entrepreneurship Task Force conducted the First Veterans' Business Program Accountability Conference to measure agency progress in implementing Executive Order (EO) 13360. In this conference, key officials from six large Federal agencies addressed business owners and advocates about their progress and future plans for improving opportunities for service-disabled veterans. In a plenary session, the Chief of Staff for the U.S. Small Business Administration (SBA) announced details of SBA's new Patriot Express Loan program. Representatives from Northrop Grumman, IBM and SAIC addressed corporate buying practices and offered owners marketing advice. Afternoon action groups focused on Federal prime contracting procedures; subcontracting barriers; status of EO 13360 strategic plans; and education needs for Federal officials and business owners. To demonstrate their commitment, the program listed email addresses and full contact information for the speakers to encourage followup discussion. We hope this will become an annual event. A copy of the program is attached to my statement.

We've recognized program leaders through our Annual Champions of Veterans Enterprise Awards' Program. This year we had a record number of honorees. Our ceremonies were conducted on June 14 and 27. In total, 12 Federal agencies were recognized: VA, Agriculture, Air Force, Army, the Defense Logistics Agency, Energy, the Environmental Protection Agency, the General Services Administration, Labor, NASA, State and Transportation. Five contractors were honored: BAE, Booz Allen Hamilton, EDS, SAIC and TetraTech.

On June 20, 2007, VA implemented our "Veterans First!" buying program, as authorized by Public Law 109-461. This law gives VA unique authority to purchase from service-disabled veteran-owned small businesses (SDVOSBs). It also provides opportunities for veteran-owned small businesses (VOSBs). For example, VA contracting officers now have the ability to conduct veteran-owned small business set-asides.

We just returned from the 3rd National Veterans' Business Conference held from June 25-28, 2007. This program set an attendance record with more than 1,300 participants. These events provided the community with multiple forums to come together to tackle issues. These issues are solvable, as we will address today. More importantly, the advocates, agency officials and business owners are united in support of our Global War on Terror heroes.

In 1999, Congress legislated the Veterans Entrepreneurship and Small Business Development Act. For the first time, SDVOSBs had a place in the Federal marketplace. The law established a 3 percent prime contract procurement goal. Since then, service-disabled veterans have demonstrated superior performance in some of our Nation's most demanding situations. A 2-year old business, Valador, won NASA's Columbia Space Shuttle Investigation contract, perhaps NASA's most visible contract in recent history. Excalibur Associates organized the largest civilian airlift in

our Nation's history to assist citizens harmed by Hurricane Katrina. A 2-month old business, Horizontal Oilfield Supplies and Services, re-tooled its equipment to remove the water from New Orleans after Hurricane Katrina. They accomplished this in just 12 days even though some government estimates said it would take 12 months. The Department of State awarded a contract to process visa applications from foreign nationals to an SDVOSB, Quality Support. In this era of heightened security, veterans deliver.

The 3 percent goal for service-disabled veteran-owned small businesses needs to be achieved across government. A few initiatives that would contribute immeasurably include: more early acquisition planning tools such as sources sought notices and more pre-solicitation notices in the FedBizOpps electronic posting system; improved acquisition planning; better definition of requirements; and improved evaluation procedures. Together, these actions would shorten award cycle time. These actions will help all business owners.

In addition, more coordination by Federal agencies and prime contractors in their outreach to veteran entrepreneurs would benefit everyone. The Procurement Technical Assistance Centers (PTACs) funded by the Defense Logistics Agency are an outstanding resource for owner training. PTAC staffs have contact with local Federal offices and prime contractors. Many centers organize at least one procurement conference yearly. In our experience, every dollar invested in the PTAC program provides an outstanding return to the taxpayer through businesses that are better prepared to be successful in the Federal marketplace.

As you know, VA exceeded the 3 percent SDVOSB goal last year. Our procurement budget was \$10.3 billion. We spent \$346 million with SDVOSBs, or 3.38 percent. We spent 6.35 percent of our total procurement dollars with VOSBs, or approximately \$651 million.

Our success is based on leadership focus. With this direction, our executives and acquisition personnel are using the tools available to help them to locate new suppliers: sources sought notices, pre-solicitation notices, industry days and set asides. FedBizOpps is the electronic posting system used by Federal agencies to announce procurement opportunities. A query of this system for the period July 1, 2006 through June 30, 2007 shows that VA contracting personnel were very active in placing sources sought, pre-solicitation and SDVOSB set-aside notices. We absolutely believe that advance planning is critical to success.

Quite simply, VA met the goal because we have the collective will to do so. Throughout our department of over 230,000 employees, we do not want to simply achieve the goal, we expect to exceed it. VA's Deputy Secretary Gordon H. Mansfield personally supported our Champions of Veterans Enterprise Programs and the National Veterans Business Conference. His presence at these events solidified VA senior leadership's commitment to veterans in business.

Deputy Secretary Mansfield is the Department's Senior Oversight Official for EO 13360. In this capacity, he directed that performance plans for key VA executives be modified to ensure that our leadership is meeting the 3 percent SDVOSB goal. In addition, he requires that the senior leaders personally report progress in supporting all small business programs during monthly senior managers' meetings.

On June 20, 2007, VA implemented our new buying authority, the Veterans First Program. On that day, Deputy Secretary Mansfield distributed a letter to all employees that clearly establishes his expectation that every VA employee will personally embrace this new program. One short and simple letter can deliver a powerful message which directly translates to dollars in the pockets of America's veterans in business. A copy of this letter is attached to the testimony.

Progress in the service-disabled veterans' business program is underway. Last month's Accountability Conference provided an opportunity for diverse groups to discuss their challenges. "Hats off" to Mr. Ron Poussard and his team at the Air Force Small Business Office. They stayed the entire day. They collaborated on problem-solving with the business owners and advocates. Believe me, there were no holds barred. This was a tough and challenging dialogue. They promised to continue the conversation at the National Conference in Las Vegas, just 2 weeks ago. They were true to their word.

Also at the conference, Ms. Tracy Pinson, Director of the Army's Office of Small Business Programs, announced that Army is forecasting \$1.8 billion to be spent with SDVOSBs over the next 12 months. Ms. Pinson has asked VA's Center for Veterans Enterprise (CVE), to partner with her to ensure business owners are aware of these opportunities. The CVE supports Federal agencies and business owners. These services include free market research, collaborative conference sponsorship, communications with industry through our VetBiz.gov Vendor Information Pages database and other support as desired. VA co-sponsors many business conferences with other organizations. VA, Army and other agencies organized the National Veterans Business

Conference. On July 25, VA, the Army and the Navy will jointly support a BRAC conference here in the Nation's capital to provide owners with advance information about procurement opportunities associated with base realignment action from 2008 to 2012. In addition, CVE maintains a help desk for business owners and others who have questions about the Veterans Entrepreneurship and Small Business Development Act. We also provide information about VA's unique procurement authority and other programs supporting entrepreneurship, such as our partnership with the International Franchise Association. CVE utilizes volunteers in Federal agencies and corporations as our local resources.

The strongest sentiment expressed since we last met in May is a memory from the Accountability Conference. After participating in several hours of Action Group dialogue, a very young owner said to the founders of this program, Vietnam generation veterans, "I appreciate everything you have done to clear the way for my business." This is the current state of the Federal Veterans Entrepreneurship Program. We have reached a moment in which we have some very robust businesses with good revenues and good experience. It is time to step forward and support our Global War on Terror heroes as they create their futures, as employees or business owners.

Madame Chairwoman, let me say that I appreciate what each of you on this Subcommittee is doing to improve economic opportunities for all veterans. On behalf of so many who would have liked to address you today, "Thank you." Thank you again for convening today's hearing and for your judicious oversight of this important program. I welcome your interest and I am prepared to answer any questions that you or the Members may have.



THE DEPUTY SECRETARY OF VETERANS AFFAIRS
WASHINGTON
June 20, 2007

**MEMORANDUM FOR UNDER SECRETARIES, ASSISTANT SECRETARIES, OTHER
KEY OFFICIALS, DEPUTY ASSISTANT SECRETARIES, AND FIELD FACILITY
DIRECTORS**

SUBJECT: Veterans First Contracting Program

Public Law (P.L.) 109-461, the Veterans Benefits, Healthcare and Information Technology Act of 2006, sections 502 and 503 are effective June 20, 2007. This law provides VA with special authorities in contracting with service-disabled veteran-owned small businesses and veteran-owned small businesses.

VA personnel involved in the acquisition process need to become acquainted with the authorities and their responsibilities under P.L. 109-461. We must ensure that our advocacy of veterans extends to veteran entrepreneurs. I expect each of you to fully embrace the spirit and intent of this law and advance veteran entrepreneurial opportunities within VA.

I have asked Scott Denniston, Director, Office of Small and Disadvantaged Business Utilization, to monitor VA's implementation and compliance with P.L. 109-461. Mr. Denniston will report VA's progress to the Secretary and me on a regular basis.

A handwritten signature in black ink, appearing to read "Gordon H. Mansfield".

Gordon H. Mansfield



**Prepared Statement of Paul A. Denett, Administrator, Office of Federal
Procurement Policy, Office of Management and Budget**

Chairwoman Sandlin and Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the current state of Federal procurement and opportunities for veteran-owned small businesses. My remarks will focus on government-wide efforts to improve opportunities for small businesses, including small businesses owned and controlled by service-disabled veterans, consistent with my responsibilities as Administrator for the Office of Federal Procurement Policy (OFPP).

Let me begin by assuring you that my office is committed to providing maximum opportunities for small businesses in Federal contracting and subcontracting. In January 2007, Small Business Administration Administrator Steve Preston and I sent a memorandum to the heads of Departments and agencies, highlighting some of the progress we have made and urging agencies to do more to create contracting opportunities for service-disabled veterans. I am well aware that small businesses account for nearly half of America's overall employment and that small businesses create the overwhelming majority of new jobs in this country. As an Army veteran, one of the first actions I took upon becoming Administrator for Federal Procurement Policy was to create a Deputy Administrator position, with responsibility for small business contracting. This emphasizes the importance my office places on working with the Small Business Administration (SBA), Departments, and agencies to meet the objectives of the Administration's small business agenda and to create an environment where small businesses can flourish. Some of the actions we are taking to achieve these results are described below.

Small Business and Veteran-Owned Small Business Procurement

I am pleased to say that in fiscal year 2005 the Federal Government awarded a record \$79 billion in prime contracts to small businesses. That represents a \$10 billion increase from the previous fiscal year. Contracting opportunities increased for all statutory types of small businesses.

In October 2004, the President signed Executive Order 13360, requiring agencies to take several actions to significantly increase contracting opportunities for service-disabled veterans. In fiscal year 2005, contracts to small businesses owned and controlled by service-disabled veterans (SDVOSBs) increased significantly, reaching \$1.9 billion, up from \$1.2 billion in fiscal year 2004. That represents an increase of 58 percent. Real progress has been made and more efforts are underway. Although official government-wide small business data has not been released by SBA for fiscal year 2006, we understand that preliminary data indicates that both SBA and the Department of Veterans Affairs exceeded the three percent goal for contracting with SDVOSBs.

The General Services Administration (GSA) recently announced contract awards to forty-four SDVOSBs, with a potential value of over \$5 billion, under GSA's Veterans Technology Services (VETS) government-wide acquisition contract. This week, I sent a memorandum to Department and agency chief acquisition officers and senior procurement executives (copy attached), urging them to review their agencies' information technology requirements and the services provided by service-disabled veterans under the VETS contract to determine if the contract can meet their needs. I recently had the privilege of speaking to service-disabled veterans who were awarded contracts under the VETS GWAC and I was impressed with their diligence and the quality of the services that they provide. I vowed to encourage Departments and agencies to use these contracts. I am particularly pleased that the VETS GWAC promotes the development of new and emerging SDVOSBs by encouraging SDVOSBs to form teams and joint ventures that enable them to pool their resources and capabilities to perform larger and more complex tasks. I understand that six of the VETS GWAC contractors have formed joint ventures while others have developed prime/subcontractor relationships. VETS GWAC contractors can add additional SDVOSB team partners during the life of their contracts.

We expect Federal contracting with service-disabled veterans to continue to increase as Departments and agencies use the VETS contract to meet various information technology requirements. Agencies are also using other contracts to increase opportunities for service-disabled veterans. I understand that GSA used its Streamlined Technology Acquisition Resources (STARS) GWAC to award a \$200 million contract to Catapult Technology, a service-disabled veteran-owned contractor that also is recognized under SBA's "8(a)" business development program. Under that contract, Catapult will create an enterprise-wide technology infrastructure for GSA's new Federal Acquisition Service. Catapult was recently awarded a contract under the VETS GWAC as well.

Federal Acquisition Regulation (FAR) Small Business Team

On March 2, 2007, we formed a FAR Small Business Team to focus on small business issues and coordinate with SBA on concurrent SBA and FAR rulemaking. Changes to small business procurement rules oftentimes require amending two sets of regulations (i.e., SBA's rules in Title 13 of the Code of Federal Regulations (CFR) and the FAR, which is codified in Title 48 of the CFR). This is necessary because SBA has jurisdiction over various small business programs under the Small Business Act, and the FAR Council has statutory jurisdiction over the FAR. Even though SBA implements small business policy in its regulations, small business procurement policy is not ultimately effective until issuance of a corresponding FAR amendment. Usually, in the past, corresponding SBA and FAR rules were promulgated consecutively. This lengthened the rulemaking process, sometimes doubling it.

We created the FAR Small Business Team to reduce the time necessary to issue a FAR final rule, thus effectively implementing both SBA and FAR policy. We expect the FAR Small Business Team to work on all significant small business procurement regulations. SBA will work with the Team to identify, as early as possible in the regulatory process, any SBA regulations that may require simultaneous implementation in the FAR.

Small Business Procurement Scorecard

My office has been working with SBA to develop a scorecard to help agencies focus on increasing small business opportunities. Last November, SBA Administrator Steve Preston and I sent letters to the heads of Departments and major procuring agencies—announcing the Small Business Procurement Scorecard, and advising agencies that their progress and status on small business contracting would be scored in fiscal year 2007. Since that time, SBA has been working with various Departments and agencies to improve small business procurement data accuracy, prior to using the data to help “score” agencies. I worked with Administrator Preston to increase the number of SBA's procurement center representatives (PCRs). This should give agencies more opportunities to improve their scoring, since PCRs help agencies to create and develop more small business opportunities. I understand that SBA plans on using the Scorecard and data to “score” agencies on their small business procurement achievements this summer.

Small Business Data

We rely upon data submitted by Departments and agencies to the Federal Procurement Data System (FPDS), 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. On March 9, 2007, I sent a memorandum to agency Chief Acquisition Officers requiring that they establish agency-wide, statistically valid, procurement data verification and validation procedures and provide a certification of data accuracy and completeness to GSA each year. To further emphasize the importance of data integrity, I asked agencies to send their first annual statements of data verification and validation to OFPP by December 15, 2007. We are currently working to place this new certification requirement in the FAR.

Additionally, SBA Administrator Stephen Preston and I issued a memorandum to the heads of Departments and agencies on September 26, 2006 asking that they work closely with SBA to correct or reconcile apparent data inaccuracies and reporting discrepancies. To help improve future small business data, SBA and my office developed a regulation that requires small businesses to recertify their size status during the performance of a contract (SBA's recertification regulation).

SBA's Recertification Regulation

SBA's recertification regulation was published in the *Federal Register* on November 15, 2006, with an effective date of June 30, 2007. Historically, SBA's regulations called for determination of small business size status when firms submitted their initial offers. Firms maintained their size status for the duration of contracts. However, agencies are increasingly using long-term contracts that, with options, can extend for up to twenty years. SBA's recertification regulation applies to these long-term contracts. The regulation requires a small business holding a contract over five years to recertify its size status after the fifth year and any option extensions thereafter. If a business becomes large at the time of recertification, the firm does not lose the contract. However, the contracting agency no longer receives small business credit for that contract. The SBA regulation also requires that small businesses—regardless of the length of their contracts—recertify their size status if the small businesses are merged with, or are acquired by, other businesses.

Conclusion

Madam Chairwoman and Members of the Subcommittee, the Administration is committed to providing maximum opportunities for small businesses in Federal contracting and subcontracting. The Federal Government awarded a record \$79 billion to small businesses, with \$1.9 billion awarded to small businesses owned by service-disabled veterans. While this is a significant increase, we know that more needs to be done. We will continue to work with Departments and agencies to ensure that they increase their contracting with small businesses, including businesses owned by service-disabled veterans. This concludes my prepared remarks. I am happy to answer any questions you might have.

Prepared Statement of Charles Cervantes, Special Assistant to the Director, Office of Small Business Programs, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics, U.S. Department of Defense

Good afternoon Chairwoman Sandlin and Members of the Committee on Veterans' Affairs.

Since my appointment some three years ago, I have been the Program Manager for the Service-Disabled Veteran-Owned Small Business Program (SDVOSBP). I am pleased to be here and present the Department of Defense's (DoD) views on the SDVOSB Programs.

The DoD reiterates our support for the government-wide goal of three percent of all prime contract awards and subcontract awards for SDVOSBs. The initial legislation was without certain tools to accelerate the process. It was not until 2003 when Public Law 108-183 provided the set-aside authority that DoD could begin to strategize on reaching these goals. These goals are stated in correspondence dated June 7, 2007 from Secretary Gates to Senator John Kerry and affirmed in several policy memoranda from DoD acquisition officials. The most recent statements have been made by the Under Secretary for Acquisition, Technology & Logistics, Kenneth Krieg on April 12, 2007, the Director, Defense Procurement and Acquisition Policy, Shay Assad on May 18, 2007 and the Director, Office of Small Business Programs, Anthony Martoccia on May 22, 2007. Since his appointment as the new Director of Small Business Programs, Mr. Martoccia has focused his attention on the Service-Disabled Veteran-Owned Small Business Program to provide greater opportunities to SDVOSBs.

The Office of Small Business Programs (OSBP) in the DoD provides a Strategic Plan with six objectives in support of achieving the government-wide goals for the SDVOSB. Those six objectives are summarized as:

- More effective use of data and databases to perform market research for potential SDVOSBs
- Training of acquisition community to increase use of restricted competition and sole source awards to SDVOSBs
- Focus on SDVOSB firms that can bring innovative technology to meet the needs of the warfighter
- Increase prime subcontracting with SDVOSBs
- Leave surety bonding solutions to the marketplace
- Use teaming and joint ventures to increase capacity and enhance capabilities of SDVOSBs

The OSBP Strategic Plan is transmitted to the Small Business Administration and published on the OSBP website at www.acq.osd.mil/osbp/programs/veterans.

The third year edition of the Strategic Plan was signed on June 23, 2007 and incorporates the successes and lessons learned from previous years. For example, the number of SDVOSBs in the Central Contractor Registration (the CCR) data base has increased from 4,005 in FY 04 to nearly 10,000 today. The amount of awards has increased from \$428Million in FY 04 to \$1.6Billion in FY 06. To facilitate further growth for SDVOSBs, additional data bases will be utilized, such as the Center for Veterans Enterprise VIP at www.vetbiz.gov, the TVCbusinessdirectory and the veteransbiznetworks reachable through www.veteranscorp.org. Market research reflects the use of these additional data bases will improve the procurement process for DoD acquisition officials.

DoD plans to increase the utilization of the set aside and sole source authorities provided by Public Law 108-183, as codified at 48 CFR 19.14. This will allow a contracting official to set-aside procurements if there is a reasonable expectation that there are two or more capable SDVOSBs who can provide the goods or services at

a fair market price. DoD is exploring the use of the set-aside authority for military hospitals and military cemeteries for SDVOSBs.

Under Secretary Krieg, in his April 12, 2007 memorandum, requests that the DoD acquisition community participate in the General Services Administration Veterans Information Technology Government-wide Acquisition Contract (GWAC) "with vigor". See www.gsa.gov/vetsgwac. DoD participation in the Vets GWAC will be implemented in concert with the Department's Memorandum of May 18, 2007 by Shay Assad, the Director of Defense Procurement and Acquisition Policy, which requires justification of the use of non-DoD contracts. In advancing this participation, GSA trained 100 DoD acquisition officials on May 22, 2007 on how to implement the GSA Vets GWAC at the annual Small Business Training Conference.

With regard to other training, the Defense Acquisition University, has upgraded the original 2004 online SDVOSB training module this year. More than 1,100 acquisition officials have taken one or the other of these courses. In addition, DoD has posted 42 power point training modules from its December 2006 conference, "Veterans Doing Business with DoD" and in concert with DAU and the Veterans Corporation has posted eight video streaming modules for training. This creates a robust website for distance learning at no cost to the user.

Along with the above training, senior DoD officials have made a concerted effort to publicize the commitment for continued performance improvement throughout the DoD acquisition community and related conferences that included DoD acquisition officials, SDVOSBs and industry. Most recently, the Deputy Under Secretary for Acquisition & Technology, the Honorable James I. Finley, addressed the Third Annual Veterans Small Business Conference on June 26, 2007. There were some 1,350 attendees who heard Dr. Finley's address. Over the course of the last three years since the inception of the Strategic Plan, DoD has participated in some 50-60 conferences either as a sponsor, speaker, panelist, moderator or attendees describing the SDVOSB program.

Additionally, in an effort to monitor the progress made toward reaching the three percent goal, the Deputy Under Secretary for Acquisition & Technology, will meet on a quarterly basis with senior acquisition executives of the Military Departments.

Increasing the amount of subcontract awards made by large DoD prime contractors is another key objective of the DoD/OSBP Strategic Plan. Substantial progress has been made and last year some \$717 Million in subcontracts was awarded to SDVOSBs by DoD prime contractors. In December of 2006, DoD participated in a conference entitled "Veterans Doing Business with DoD", which was keynoted by Deputy Under Secretary Finley that had a panel of three large DoD prime contractors. The prime contractor executives each made informative presentations on how SDVOSBs could contract with them with detailed presentations. These presentations are posted on the OSBP website for SDVOSBs to pursue subcontracting opportunities. At the June, 2007 conference, three different large DoD prime contractors made similar presentations on how SDVOSBs can subcontract with them.

DoD is considering the establishment of an award that will acknowledge the DoD personnel who have performed best under objective criteria to reach or surpass the three percent goal. This award will provide an incentive for DoD acquisition personnel to reach or exceed the three percent goal within their command.

The Five Year SDVOSB Strategic Plan is a framework by which DoD seeks to reach the three percent goal. DoD will continue to seek initiatives that can accelerate the increase in prime contract and subcontract awards to SDVOSBs and will continue to review, analyze and adjust the plan on an annual basis. Rather than paraphrase the elements, we are attaching the plan.

We have attached copies of the policy memoranda mentioned above and the most recent edition of the Strategic Plan for your review. I will be pleased to answer any questions you might have during my oral presentation.

Thank you.

Attachments as stated.

Statement of John R. Wheeler, Executive Vice President, Veteran Corps of America

Chairwoman Sandlin and distinguished Members of the Subcommittee, I am pleased to have the opportunity to make this statement of support for the efforts of the U.S. Army to meet and exceed the 3 percent procurement goal for contracting with Service Disabled Veteran Owned, or SDVO, small businesses. In particular, we recognize the efforts of the U.S. Army Office of Small Business Programs led by Ms. Tracey Pinson and LTC James Blanco. They are the face of the Army to small busi-

nesses, always showing up to answer our questions, making themselves accessible, and often forced to address tough issues on the spot. I am here to tell you if you do not already know that they do so with passion, day-in and day-out.

My brother, Captain Bill Wheeler, was medically retired from the Air Force in 1995 after a traumatic brain injury ended his dream of a thirty-year military career some twenty years and a few days earlier than planned. Our Grandfather, Air Force Colonel William M. Long, was a thirty-three year veteran who flew thirty-one bombing missions over Europe in a B-24 Liberator and later numerous successful missions as a P-51 fighter pilot. In fact, a plane he flew hangs today at the Smithsonian's Air and Space Museum not so far from here. Our family's military heritage includes over a dozen decorated veterans of the Army, Air Force, Marine Corps and Navy. This legacy of military service led to our founding of the Veteran Corps of America with the primary mission to create jobs for veterans, with particular focus on disabled veterans.

In the short time since our incorporation on January 21, 2005, the Veteran Corps of America has provided supplies and services to over twenty Federal, State and Local Government agencies as well as a growing number of their prime contractors. We were fortunate to be a winner of both functional areas of the new GSA Veterans Technology Services Government-Wide Acquisition Contract, or VETS GWAC, and now hold several GSA schedules. This month we delivered our tenth small order to the Army, matching the ten Air Force bases we have supported thus far. As of the end of June, the Veteran Corps has booked 2007 sales of nearly \$1.5M, up from only \$15,025 in all of 2005.

We are exclusively partnered with the Purple Heart's Veterans Business Training Center to hire home-bound combat wounded and service disabled veterans they recruit and train to support Government contracts. This training is fully accredited and made available to veterans as part of the VA's Vocational Rehabilitation and Employment Service. Together with the Purple Heart's Veterans Call Center, we are able to provide robust call center capability utilizing home-bound veterans located throughout the United States, and indeed all over the world. Today, some 150 disabled veterans have been trained, 75 are in training and nearly 3,000 have registered for future classes, a number of which are Wounded Warriors injured in combat after 9/11. Every dollar paid to them either in training or employment compensation multiplies many times over as many of these Patriots transition back into fully productive lives as workers, consumers and taxpayers, leaving unemployment and disability in their wake. We are currently pursuing a number of call center opportunities within the Army that we appreciate have been set aside by Army procurement officers for competition limited to service disabled veteran owned small businesses.

As one of the leading purchasers in the Federal Government, the Army is the largest market for our goods and services. Correspondingly, they have the toughest assignment when it comes to meeting procurement goals for all types of small businesses. In "failure," the Army spends more money with service disabled veteran and veteran owned small businesses than any organization on Earth. While they have not yet reached the minimum 3 percent standard, their identification of over \$1.7B of upcoming opportunities for service disabled veteran owned small business is unprecedented for any small business contracting program. However, now more than ever, their contracting community needs your assistance to be successful on the scale necessary to achieve and exceed the 3 percent standard.

On June 20, 2007 Public Law 109-461, the Veterans Benefits, Health Care and Information Technology Act of 2006 became effective. This legislation gave the Department of Veterans Affairs additional procurement tools to enable them to much more easily contract with service disabled veterans. Simply stated, at the VA service disabled and veteran owned companies are now at the top of the contracting ladder. Now, if an SDVO can perform a requirement under \$5M it can easily be sole sourced to them if they are a responsible contractor and propose a fair and reasonable price. Moreover, for requirements over \$5M where one or more SDVO companies are identified as capable, the VA contracting officer now "shall" set aside that contract for SDVOs and as he or she is no longer encumbered by the more nebulous direction "may."

The point today is simple. Give these same tools to the United States Army. Reauthorize the Army exactly the same way you reauthorized the Department of Veterans Affairs. Do not wait to make these critical changes until consensus can be reached on every topic related to the Small Business Act that will then take another year or more to be implemented. Make these small, simple changes to the Army and DoD's procurement authority and enable the same sweeping culture change you have enabled within the Department of Veterans Affairs.

My Grandfather, General Earle G. Wheeler, started his Army career in 1932 upon graduation from West Point. Thirty-eight years later he retired after serving as Chairman of the Joint Chiefs of Staff for an unprecedented six years under Presidents Kennedy, Johnson and Nixon. Personally, my brother and I have ridden in the family car to a funeral at Arlington National Cemetery eight times. This heritage of service requires that we accept nothing less than the full commitment of the U.S. Army to support service disabled veterans. We applaud the Army's Office of Small Business Programs for their years of hard work and the measurable success they have achieved over the past two fiscal years. We are convinced the simple changes we encourage you to make will provide the final push—the right tools if you will— to enable the Army to meet and exceed the SDVO contracting mandate. A goal to which I know through experience they are fully committed.

In closing, I paraphrase something I heard at the National Veterans Small Business Conference a few weeks ago by saying that veterans are the faces of America. No other group is more diverse, more accepting of that diversity, nor more able to function effectively together because of it. You and I know it, the American public knows it and the Army knows it and thrives because of it. Helping veterans succeed in business helps all of America and makes all Americans proud. Please assist the Army in their ongoing efforts to support service disabled veteran owned small businesses.

I thank you again for this opportunity to appear before you today. This concludes my testimony and I welcome your questions today or in the future.

Statement of Richard F. Weidman, Executive Director for Policy and Government Affairs, Vietnam Veterans of America

"The willingness with which our young people are likely to serve in any war, no matter how justified, shall be directly proportional as to how they perceive the Veterans of earlier wars were treated and appreciated by their Nation."
—George Washington

Good afternoon, Madam Chairwoman, Ranking Member Boozman and distinguished Members of the Subcommittee. Thank you for giving Vietnam Veterans of America (VVA) the opportunity to offer our comments for the record regarding veteran owned small business and service disabled veteran owned small businesses and procurement by the Federal Government.

Madam Chairwoman, overall the executive branch has done a very uneven job thus far of carrying out their responsibilities under Public Law 106-50 in regard to all of the efforts they are supposed to be making under all three laws enacted since this time in 1999. SBA also can and must do a better job of meeting their responsibilities pursuant to the terms of Executive Order (E.O.) 13-360 (issued in October or 2004).

While the situation is somewhat better today than a year ago despite some recent gestures made by the current SBA Administrator, and his apparently more open attitude toward proper treatment of veterans on the part of the Honorable Steve Preston. In my statement to you on May 17th, almost two months ago, I set forth a number of recommendations. Those recommendations were:

1. Create a dedicated section in the contracts office with at least the same number of contract specialists devoted to 8(a) contracting. (It is worthy noting that there are 12,700 service disabled veteran owned businesses listed on the VIP at VA, while there are less than 7,400 certified 8(a) businesses. Since there are many more SDVOSB than 8(a), having the same number of contract specialists does not seem to be too much to ask.)
2. The Administrator should take steps to create a capital formation program specifically for VOB, with an emphasis on SDVOSB. This should not be just for "start up capital" but also for so-called "mezzanine funding" to help businesses expand to a sustainable phase beyond the first few years of the small start phase.
3. As noted below, the \$25 million dollars that The Veterans' Corporation people have been running all over Capitol Hill seeking should be added to the budget of the Veterans Business Development Office for use primarily as grants to localities to operate projects and expand existing services to better reach veteran entrepreneurs and would-be entrepreneurs. These grants should go to expand services of particularly effective Small Business Development Centers, to ensure that there is continued funding for such efforts as the fine project in St. Louis operated by Pat Heavey, and for special projects reaching out to wounded

servicemembers or to veterans for purposes of helping them become self-employed or to start micro businesses.

4. The Administrator should issue a long overdue Administrator's Order implementing all of the statutes that have been enacted in the past eight years, plus putting more teeth into Executive Order 13-360 in regard to services delivered by SBA or funded through SBA.
5. The Administrator should undertake a review of all SBA programs to ensure that veterans, particularly disabled veterans, are receiving full and proper access and maximum services from each of the SBA services and programs for which those individuals would otherwise be eligible. In other words, for example, this internal review, and appropriate corrective action as needed, would determine if women veterans were being properly reached in numbers commensurate with their incidence in the population and given the full range of services available to the maximum extent legally permitted.
6. The Administrator should specifically review all that is being done for those citizens serving in the National Guard or Reserves who activated, and determine what more can be done under existing law to better assist these individuals, and work with the Congress and The White House to determine what else can and should be done by changing the law or by Executive Order.
7. Closely related to the above point, but slightly different, is that we as a Nation have to figure out how we can better support those businesses who have National Guard and Reserves members as employees who are now subject to frequent deployments for longer periods of time. This is a matter of national defense, but it is also a veterans re-employment and employment issue because the negative side of hiring and employing those who serve in the National Guard and Reserves is being disproportionately borne by a relatively small segment of the employer community. It is also having a negative impact on veterans' employment and on the advancement of those who are employed within their company. This is the real world, where the bottom line must be addressed, and not the ideal world of what is fair, so we must find practical ways to solve this problem.
8. The Associate Administrator for Veterans Business Development and all other officials of the SBA (and other agencies for that matter) should by this point know better than to keep saying in public and in private that "there are not enough service disabled veterans to do the 3 percent contracting, they are not sophisticated enough to do the work, and we have to teach these poor old veterans how to compete" before we can move forward on contracting and sub-contracting goals, or with other programs that would better enable veterans to have access to capital or international markets. Frankly, none of this is true, and these negative stereotype "straw men" set up by those who continue to say these things are a manifestation of "VETism" or an ugly set of prejudices and stereotypes that is every bit as ugly and inappropriate as sexism or racism.

To the credit of Administrator Preston, he has moved to create a capital formation program for veterans and their spouses, as recommended, albeit only a pilot program at this point. The mere fact that he has created the "Patriot Express" loans speaks well of his sincerity and intent to do a better job for veterans. However, he must not stop there, but undertake, a review of all SBA programs to see how SBA can do a better job for veterans, and issue an Administrator's order that will implement many of the things that will help which can be accomplished under existing law. Further, issuing an Administrator's order that implements all aspects of P.L. 106-50, P.L. 108-183, and P.L. 109-461 that either fall under SBA purview or in which SBA can assist, and which incorporates other worthwhile changes as well as meets his responsibilities more fully under the Executive Order 13-360 is very much needed.

Of all of the things that need to be done, for the purposes here today there are two things that can and must be accomplished soon if we are to make real progress toward stepping up the pace of achieving a government wide "floor" of 3 percent of all contracts and 3 percent of all subcontracts going to SDVOSB. The first is that either SBA should do the thorough analysis need of the procurement plans submitted as required by the Executive Order and see that said plans are complete, viable, and publicly available as required or seek assistance from the Center for Veterans Enterprise at VA to do the analysis for them. The plans were due in February and it is now July and they still are not available to the public. It is time for SBA either lead, follow VA, or get out of the way and seek changes with the Office of Federal Procurement Policy give the whole responsibility over to VA to get it done. The second thing that must be done is, as was promised many months ago by the SBA, the information contained in the SF 294s and SF 295s pertaining to subcon-

tracting plans and actual results of said subcontracting by major prime contractors needs to be available to the public. This involves where public taxpayer dollars are spent, and it must be made public now. There is no longer any excuse for delay.

The simple and clear conclusion of any observer is that the law which states that 3 percent of all contracts and 3 percent of all subcontracts issued by the Federal Government are intended to go to service disabled veteran owned small businesses (SDVOSBs) has thus far not proven to be effective as originally envisioned.

I refer you to the fine statement of my fine colleague, Joe Wynn of the VETS Group here today for many of the details of the analysis and hard work of the participants in the Veterans Entrepreneurship Task Force regarding the 3 percent procurement requirement and actual performance of the Federal agencies. You will note that there has been much work on the part of many determined advocates to work cooperatively with the governmental entities.

Centralized Source and Certification

VVA strongly recommends that there be one centralized data base that is THE place to go for Federal contract officers and other Federal decision-makers to find qualified Veteran Owned businesses and SDVOSBs that are owned and operated by veterans or service disabled veterans respectively. We urge that this one place be the Vendor Information pages (VIP) at vetbiz.gov at the Center for Veterans Enterprise (CVE) at the VA.

There is need for this to be a strong, well run, and easily accessible site so that not only Federal officials can access it, but also that large prime contractors can find SDVOSBs and that VOBs and SDVOSBs can find each other to do business where appropriate. This site is also needed so that private sector corporations can also both easily access it, and rely on the certification of authenticity. Many would use SDVOSB if they knew where to find such companies.

We urge that this be the one place and the only place for such certification in the Federal Government. It is puzzling that SBA does not even have a link to VIP on their Web site, which causes us to think that there may be some at SBA who are still more interested in "turf" issues than in getting the job done. We urge Administrator Preston to correct this problem immediately.

It would also be helpful if VA were authorized to allow VOBs and SDVOSBs who list on the VIP to also list the profile of their employment practices. In other words, how many service disabled veterans they have as employees, how many veterans, how many VOB or SDVOSB or active duty spouse, etc. out of their total workforce. If a VOB or SDVOSB wants to list this information, then CVE should be authorized to verify this data, just as they verify veteran status and ownership and control of the business.

It is, by the way, imperative that VA acts quickly to issue complete and strong regulations to implement all aspects of P.L. 109-461. While we have great confidence in the intent and determination of Secretary R. James Nicholson, and Deputy Secretary Mansfield, VA is a large and complex organization. Therefore the regulations must be strong, complete, and have accountability measures built into them that holds all within that VA structure accountable for meeting or exceeding the intent of the law, as well as the letter of the law. Perhaps either a bi-partisan letter toward that end or even a meeting would be in order to help move along this process.

Additional Tools

Government wide adoption of legislation analogous to the VOB and SDVOSB procurement provisions of P.L. 109-461 are needed through every authorizing committee in the congress. The Veterans Entrepreneurship Task Force has made this a major goal, and will be concentrating on this, beginning with the Department of Defense, to accomplish this for each aspect of the Federal Government before the end of the 110th Congress.

This would get rid of the rule of two, give officials the tools they need to achieve results, and give veterans our level playing field we have been seeking. Of course, we probably won't get the pecking order that VA has established but we will have a real sole source program and a better chance of penetrating these agencies.

Department of Defense

The Department of Defense controls more than half of all Federal procurement, and until this year has not been as determined as was needed to meet the requirements of the law and of the president's Executive Order. To be fair, they have had many conferences, workshops, and provided tools such as mentoring for some that have been useful, but until now did not really seem to be serious about this issue.

The Deputy Undersecretary of Acquisition & Technology, the Honorable James Finley, has now taken the lead, and with the apparent full support of Secretary

Gates, is moving ahead with a seven plus one plan to move DoD into compliance with the 3 percent minimum. (See attached) Both VVA and the VET-Force salute Mr. Finley for stepping up to the plate and providing the sorely needed strong leadership needed to get DoD moving in the right direction. The recent DoD-VA Veterans Small Business Conference in Las Vegas was a sold out and very successful conference run by Ms. Tracey Pinson of the United States Army and Mr. Scott Denniston of the VA. Mr. Finley's address there signaled that it is a new day at DoD, and one that is heading in the right direction. Although all of us will certainly keep up the pressure, hopefully we can now spend more time working cooperatively with all officials on how best to achieve earliest results as opposed to whether to move forward.

Many thanks for allowing us to share our views for the record, and for the strong bi-partisan leadership that this Subcommittee continues to exert.

[The attached report addressed to Members of Congress from the Small Business Administration's Advisory Committee on Veterans Business Affairs, is being retained in the Committee files.]



Veterans' Entrepreneurship Task Force

8605 Cameron Street, Suite 400, Silver Spring, MD 20910
Tel: 301.585.4000 Fax: 301.585.0519

May 11, 2007

The following information is provided as the VET-Force list of suggested remedies that can improve the presently perceived lack of interest by DoD toward the 3% procurement requirement for SDVOBs,

Association for Service Disabled Veterans
Association of Small Business Development Centers
American G.I. Forum of the United States
AMVETS (American Veterans)
Black Veterans for Social Justice, Inc.
Blinded Veterans Association
Center for Veterans Issues
Enlisted Association of the National Guard
III Tech Services
Jewish War Veterans of the USA
Korean War Veterans Association
Military Officers Association of America
National Association for Black Veterans
National Association for Uniformed Services
National Coalition for Homeless Veterans
National Gulf War Resource Center
Non Commissioned Officers Association of the United States of America
Paralyzed Veterans of America
Quality Support, Inc.
Reserve Officers Association of the United States
Rolling Thunder, Inc.
The Keefe Group
The Retired Enlisted Association
The Veterans Advocacy Foundation
Veterans Benefits Clearinghouse
Veterans Business Network
Veterans Enterprise, Training, & Services Group
Veterans of Foreign Wars
Veterans of Modern Warfare
Vietnam Veterans of America
Vietnam Veterans of California

1. Affirmation that the goal for all DoD procurements, both prime and sub is 3%. The affirmation will be by DoD Directive with reliable reporting and oversight directions issued NLT May 25th.
2. Affirmation that the DoD Strategic Plan required by EO 13-360 will be modified to ensure the plan is compliant with the intent of EO 13-360. This should be accomplished by June 8, 2007.
3. Commitment that a DoD Directive will be promulgated and issued directing the Armed Forces Secretariats to complete comprehensive and compliant Strategic Plans per EO 13-360 by June 8, 2007.
4. A standing committee be created to advise DoD on the effect of DoD directives and actions in meeting the SDVOB 3% goal. The standing committee will include (less OSDDBUs):
 1. four SDVOB business owners (2 IT, 1 non-IT, and 1 construction),
 2. three veteran organizations chosen by the VET-Force,
 3. at least enough DoD appointees to include 1 each from DoD and each of the Armed Forces Secretariats.

The monthly meeting will be co-chaired by one government member and one non-government member.

5. The Deputy Under Secretary of Defense for A & T will meet with the Chief Acquisition Officer for each of the Armed Forces Secretariats. These meetings should be at least quarterly for the purpose of identifying delays in meeting the 3% goals, their cause, and suggested remedies to move the procurement goals toward successful completion. Actions found to be forwarding success will be evaluated to determine if they can be used elsewhere. Results will be provided to the Standing Committee formed under paragraph 4 above.
6. Put achievement of the 3% contracting and 3% subcontracting goals into each and every manager's performance evaluations.
7. Create a set of awards for SDVOSB commensurate with other categories of procurement awards.

Key Question: Will the DoD support the VET-Force in an endeavor to have legislation passed to include the same requirements for the DOD that the VA has accepted in Public Law 109-461?



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 10, 2007

MEMORANDUM FOR CHIEF ACQUISITION OFFICERS
SENIOR PROCUREMENT EXECUTIVES

FROM: Paul A. Denett
Administrator

SUBJECT: Veterans Technology Services Government-wide
Acquisition Contract (VETS GWAC)

In January 2007, the Administrator of the Small Business Administration, Steve Preston, and I wrote to Department and agency heads, identifying progress the Administration has made to increase contracting opportunities for service-disabled veterans. In October 2004, the President signed Executive Order 13360 to strongly encourage development of opportunities for small businesses owned and controlled by service-disabled veterans (SDVOSBs). The Order requires agencies to take actions to significantly increase opportunities for SDVOSBs.

The Order also requires the General Services Administration (GSA) to establish a Government-wide Acquisition Contract reserved for participation by SDVOSBs. GSA recently established the Veterans Technology Services Government-wide Acquisition Contract (VETS GWAC) to meet this requirement. I recently had the privilege of speaking to service-disabled veterans who were awarded contracts under the VETS GWAC, and I was impressed with their diligence and the quality of the services that they provide. I vowed to encourage Departments and agencies to use these contracts. I am particularly pleased that the VETS GWAC promotes the development of new and emerging SDVOSBs by encouraging SDVOSBs to form teams and joint ventures that enable them to pool their resources and capabilities to perform larger and more complex tasks. Six of the VETS GWAC contractors have formed joint ventures while others have developed prime/subcontractor relationships. VETS GWAC contractors can add additional SDVOSB team partners during the life of their contracts.

To date, GSA has awarded 44 contracts to SDVOSBs under the VETS GWAC. These contracts cover various technology requirements under the general functional areas of systems operation and maintenance and information systems engineering. GSA offers training and support to facilitate agency ordering under the VETS GWAC. More information can be obtained either by telephone at (877) 327-8732 or at GSA's website, www.gsa.gov/vetsgwac.

The success of the VETS GWAC depends on strong agency participation. I am encouraging you to review your agency's information technology requirements and the services provided by the VETS GWAC to determine if this contract can meet your agency's needs. Increasing opportunities for our service-disabled veterans is a top priority, and I ask you to seriously consider using the VETS GWAC to support this effort.

cc: Administrator, Office of E-Government and Information Technology
 Administrator, General Services Administration
 Administrator, Small Business Administration

POST-HEARING QUESTIONS AND RESPONSES FOR THE RECORD

Committee on Veterans' Affairs
 Subcommittee on Economic Opportunity
 August 7, 2007

Mr. Paul A. Denett
 Administrator
 Office of Procurement Policy
 Office of Management and Budget
 725 17th Street, NW
 Washington, DC 20503

Dear Mr. Denett:

In reference to our House Committee on Veterans' Affairs Subcommittee on Economic Opportunity hearing on Federal Procurement and the Three Percent Set Aside on July 12, 2007, I would appreciate it if you could answer the enclosed hearing questions by the close of business on September 3, 2007.

In an effort to reduce printing costs, the Committee on Veterans' Affairs, in cooperation with the Joint Committee on Printing, is implementing some formatting changes for materials for all full committee and Subcommittee hearings. Therefore, it would be appreciated if you could provide your answers consecutively on letter size paper, single-spaced. In addition, please restate the question in its entirety before the answer.

Please provide your response to Orfa Torres by fax at 202-225-2034. If you have any questions, please call 202-225-9756.

Sincerely,

Stephanie Herseth Sandlin
 Chairwoman

**Question for Paul A. Denett From the
 Honorable Stephanie Herseth Sandlin, Chairwoman,
 Subcommittee on Economic Opportunity**

Hearing on Federal Procurement and the Three Percent Set Aside, July 12, 2007

1. Please provide any background information available on the SBA recertification regulation implemented June 30, 2007.

The Small Business Administration (SBA) coordinates implementation of statutory small business procurement goals, including the goal of achieving 23 percent Federal Government contracting with small businesses. For many years, SBA regulations allowed Federal agencies to count contracts awarded to small businesses as "small" for the duration of the contract, even if the small business grew to be large or was subsequently purchased by a large business. This policy worked well when contracts typically had a short duration, generally from one to five years. But, today

some contracts have performance periods of up to twenty years. The accurate counting of almost \$12 billion in Federal contracting with small businesses has been questioned. The vast majority of questioned contracts are a result of small businesses being purchased by larger businesses, small businesses growing larger during the contract, or errors in data entry.

SBA worked closely with my office, the Office of Federal Procurement Policy, to issue regulations that increase the accuracy of data on Federal contracting with small businesses. The regulations consist of a regulation issued by SBA and published in the *Federal Register* on November 15, 2006 and an interim rule amendment to the Federal Acquisition Regulation (FAR) published in the Federal Register on July 5, 2007. The purpose of the SBA regulation is to address situations where a small business was “small” at the time of contract award but, over the course of the contract, has become other than a small business. SBA’s regulation requires a small business that represented itself as “small” at the time of contract award to represent its size status again for: 1) contracts regardless of duration—within 30 days after a merger with, or acquisition by, another business; and 2) contracts over five years in duration—within 60 to 120 days prior to the end of the fifth year of the contract and within 60 to 120 days prior to exercise of a contract option. Necessary changes were made to the FAR to implement SBA’s regulation.

Committee on Veterans’ Affairs
Subcommittee on Economic Opportunity
August 2, 2007

Mr. Anthony R. Martoccia
Office of Small Business Programs
U.S. Department of Defense
Crystal Gateway North
Suite 406—West Tower
201 12th St. South
Arlington, VA 22202

Dear Mr. Martoccia:

In reference to our House Committee on Veterans’ Affairs Subcommittee on Economic Opportunity hearing on Federal Procurement and the Three Percent Set Aside on July 12, 2007, I would appreciate it if you could answer the enclosed hearing questions by the close of business on September 3, 2007.

In an effort to reduce printing costs, the Committee on Veterans’ Affairs, in cooperation with the Joint Committee on Printing, is implementing some formatting changes for materials for all full committee and subcommittee hearings. Therefore, it would be appreciated if you could provide your answers consecutively on letter size paper, single-spaced. In addition, please restate the question in its entirety before the answer.

Please provide your response to Orfa Torres by fax at 202–225–2034. If you have any questions, please call 202–225–9756.

Sincerely,

Stephanie Herseth Sandlin
Chairwoman

Hearing Date: July 12, 2007
Committee: HVA
Member: Congresswoman Herseth Sandlin
Witness: Mr. Cervantes

Question #1: What percent of the targeted three percent goals has the Department of Defense awarded to Service-Disabled Veteran-Owned Small Businesses?

Answer: Preliminary data for Fiscal Year 2006 indicates approximately \$1,587,554,573 or .67 percent of eligible total Department of Defense (DoD) prime contract dollars to U.S. firms have been awarded to service-disabled veteran-owned small businesses.

In addition, approximately \$718.8M or .7 percent of subcontracted dollars under DoD contracts has been awarded to service-disabled veteran-owned small businesses.

Question #2: How many DoD acquisition officials do you employ and how many have been educated on existing laws and agency policies?

Answer: Within the Department of Defense (DoD), the occupational series “acquisition” encompasses fifteen individual career fields. I assume by use of the term “acquisition official” you are referring to the contracting career field, which includes both contracting officers and contract specialists. As of September 30, 2006 there were 27,742 contracting officers and contract specialists under the employment of DoD.

With the enactment of Public Law 101-510, the Defense Acquisition Workforce Improvement Act in Fiscal Year 1992 (10 U.S.C. 1701 et seq.), DoD contracting officers and specialists must generally meet minimum education and training requirements. To that end, the DoD Office of Small Business Programs has worked with the Defense Acquisition University to develop several on-line courses pertaining to contracting with small business. In addition, representatives from the DoD Office of Small Business Programs have participated in two very well-received Web casts concerning contract bundling and subcontracting policies and procedures.

Question #3: You state that the Deputy Under Secretary for Acquisition & Technology will be meeting with senior executives of the military departments to ensure progress of the three percent set aside. Has the Under Secretary met with these officials in the past and what has been the result?

Answer: Deputy Under Secretary Finley met with the Service Acquisition Executives (SAE) for the Army and the Navy on July 17, 2007 and August 21, 2007, respectively. The SAEs for the Army and the Navy both agreed to place even greater emphasis on contracting with service-disabled veteran-owned small business.

On September 5, 2007 Dr. Finley is scheduled to meet with the SAE for the Air Force. Dr. Finley anticipates the same level of commitment from the Air Force as he has already received from the Army and the Navy.

Question #4: Do prime contractors normally meet the details of their small business contracting plans?

Answer: Generally, yes.

Question #5: What prevents prime contractors from meeting the small business contracting plans and how is DoD working to change that?

Answer: The challenge for prime contractors is the need to balance the requirement to increase small business subcontracting with the efficient performance of the contract. Increasing small business participation may require the prime contractor to forego making an item or performing a service in-house, or reduce reliance on favorable existing supplier agreements.

The Department of Defense (DoD) uses several techniques to encourage prime contractors to assist in developing small business firms and increasing subcontracting opportunities. The Defense Federal Acquisition Regulation Supplement requires contracting officers to evaluate prime contractor subcontracting performance in acquisitions when contract award is based on best value and a subcontract plan is required. Also, the prime contractor’s past performance in meeting the requirements of small business subcontracting plans is documented in the DoD past performance information system and utilized during source selection. Additionally, when contracts offer performance incentives, DoD encourages inclusion of small business participation as a criterion for earning the incentive award. Moreover, the DoD Pilot Mentor-Protégé Program and the Small Business Innovative Research and Small Business Technology Transfer Programs (SBIR/STTR) are utilized to assist and develop small and disadvantaged business concerns.

Question #6: What is the normal penalty in failing to meet the small business contracting plans?

Answer: The mere fact that a prime contractor was not able to meet its subcontracting goals does not give rise to sanctions. However, section 8(d) of the Small Business Act provides for liquidated damages to be paid by a prime contractor when the prime contractor fails to make a good faith effort to comply with the requirements of the small business subcontracting plan.

Question #7: Do you think that the “Rule of Two” should be eliminated?

Answer: No. We believe the “Rule of Two” is an important and workable acquisition tool.

Question #8: Are there any loopholes in the GSA schedule that need to be fixed as noted by the veteran business owners?

Answer: I am unaware of any loopholes in any General Services Administration schedule.

Question #9: In your testimony you write that, the “Five Year SDVOSB Strategic Plan” is a framework by which DoD seeks to reach the three percent goal? When do you foresee DoD meeting the three percent goal?

Answer: The Secretary of Defense has made achievement of the service-disabled veteran-owned small business (SDVOSB) goal one of his highest priorities. The Director of the Department’s Office of Small Business Programs is working within the ranks of the Defense Department and with the Department of Veterans Affairs to develop innovative strategies to move us toward achievement of the service-disabled veteran-owned small business goal. Given the uncertainties associated with Defense procurement however, I cannot predict when the 3 percent goal will be reached.

Question #10: You have been an ex-officio member of TVC’s Board of Directors for three years. You mention that TVC is handling the important role of Bonding in your statement. It has been alleged in a previous hearing that TVC is not following the law as outlined in P.L. 106–50, is that your belief of what is happening?

Answer: I have attended quarterly and annual meetings of the National Veterans Business Development Corporation (TVC) for the Department of Defense for the past three years. I did not observe anything at those meetings that would indicate to me that the TVC was not following P.L. 106–50.

Question #11: How critical is TVC to the future of DoD’s Bonding initiatives for Disabled Veterans?

Answer: The Department discontinued its own initiative to develop a program to increase surety bonding coverage to Service-Disabled Veteran-Owned Small Businesses because the National Veterans Business Development Corporation (TVC) has a very similar initiative that is achieving the same objective. Hence, the TVC is essential to increasing the number of service-disabled veteran-owned small businesses that are able to obtain bonding.

Question #12: In your opinion, is a public/private partnership with the Bonding community the only answer to finding bonding for Service-Disabled Veteran-Owned Businesses?

Answer: My answer assumes that “public/private partnership” refers to the National Veterans Business Development Corporation’s (TVC) work with bonding companies. In my opinion, the TVC has proven very effective in obtaining bonding for Service-Disabled Veteran-Owned Small Businesses. However, I also consider the Small Business Administration’s Surety Bond Guarantee Program to be another good source of information for small businesses that are trying to locate a surety.

