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Bush Officials Fabricated Small Business Contracting Reports According to Court Ordered Documents

ASBL press release

Petaluma, Calif. - After losing its fifth federal lawsuit to the American Small Business League (ASBL), the Bush Administration has been forced to release more than 10,000 pages of documents that list the recipients of federal small business contracts for fiscal years 2005 and 2006. Bush Administration officials at the Small Business Administration (SBA) fought the release of the information, but United States District Court Judge Marilyn H. Patel ruled in favor of the ASBL and ordered that the information be released.

The information turned over by the SBA proves the ASBL's long-standing claim that the Bush Administration has fabricated small business contracting data and lied to the public, Congress and the media about the diversion of federal small business contracts to some of the largest firms in the United States and Europe.

"Our goal was to prove before President Bush left office that his administra-

tion had fabricated reports and lied to the public, Congress and the media. This information proves that the Bush Administration is responsible for the diversion of more than \$100 billion a year in federal small business contracts away from middle-class America and into the hands of some of the largest companies in the world," ASBL President Lloyd Chapman said.

The information the ASBL has received indicates firms such as Lockheed Martin, Boeing, GTSI, Office Depot, L-3 Communications, Dynacorp, and even the world's third largest defense contractor, British Aerospace and Engineering (BAE) have been the recipients of federal small business contracts.

Since 2002, over a dozen federal investigations have all found that billions of dollars in federal small business contracts have actually wound up in the hands of large businesses. During that time, Bush Administration officials conducted a significant public relations

campaign to deny these findings. In May of 2007, the SBA went so far as to circulate a press release titled, "Myth VS Fact: SBA and Government Contracting." The press release stated that it is a myth that, "Large companies, including large, multinational corporations are taking away federal contracts specifically intended for small businesses." The information the ASBL has now received clearly shows that these statements were blatantly false and that large businesses in the United States and Europe were recipients of small business contracts.

The ASBL will continue to use the Freedom of Information Act (FOIA) to request more information from the Bush Administration and will file additional lawsuits if those requests are denied. In addition to the damaging information, four senior level Bush Administration officials have privately told ASBL President Lloyd Chapman that between \$65 and \$110 billion a year in federal small business con-

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DOI Report Shows Government Small Business Contracts Went to Fortune 500 Companies

ASBL press release

Petaluma, Calif. - On July 1st, 2008, the Department of Interior (DOI) became the latest federal agency to issue a report that found Fortune 500 firms were the actual recipients of federal small business contracts. The report (<http://www.doioig.gov/upload/2008-G-0024.pdf>) also found contracts to Fortune 500 firms were used to falsify the DOI's compliance with its small business contracting goal and significantly misrepresent the Bush Administration's compliance with the

Congressionally mandated 23 percent small business contracting goal.

The report stated that despite regulations and policies put in place to ensure data integrity, contracting officers intentionally reported contracts to some of the nation's largest corporations as small business contracts. The DOI Inspector General found contracting officers knowingly entered GSA contract information into the Federal Procurement Data System - Next Generation (FPDS-NG) improperly, which allowed them to code a contract to an obvious large firm as a small business set-aside contract. The report noted

that DOI contracting officers had recently received training on the proper entry of GSA acquisitions into FPDS-NG.

During 2006 and 2007, DOI reported millions of dollars in contracts to Fortune 500 corporations such as Dell, GTSI, Home Depot, John Deere, McGraw-Hill, Ricoh, Sherwin Williams, Starwood Hotels, Waste Management Incorporated, Weyerhaeuser, World Wide Technology and Xerox Corporation as small business contracts.

The DOI Office of Inspector General's report is the latest investigation to contradict two Small Business Administration (SBA) press releases, which claimed it was a "myth" that large businesses received federal small business contracts.

The General Accounting Office (GAO) first uncovered the diversion of federal small business contracts to Fortune 500 corporations in 2002. Since then, there have been approximately a dozen federal investigations that have all found Fortune 500 firms and other large corporations were the actual recipients of billions of dollars in federal small business contracts every year. Despite the series of federal investigations and over 400 stories in the press since 2002, no legislation has been passed to address the problem.

As opposed to adopting policies to stop the flow of federal small business contracts to Fortune 500 firms, former SBA Administer Steven Preston adopted a SBA policy in June of 2007

What's New

ASBL on the Huffington Post

ASBL President Lloyd Chapman and ASBL Communications Director Chris Gunn are now regularly featured bloggers on the Huffington Post.

- Check out Lloyd's latest post at [The Huffington Post](#)

New ASBL Multimedia Page

We have revamped the Multimedia page on our website. It now includes all the latest radio interviews by ASBL executives Lloyd Chapman, Chris Gunn, and Kevin Baron, as well as new video posts and podcasts.

- Check out the new Multimedia page at [ASBL.com](#)

Coming Soon: Litigation Document Library

For all you legal junkies, we are putting together a document library on our website that will feature important documents from all of our federal legal victories. Watch for it coming soon at [ASBL.com](#).

Bush Administration Continues to Claim Contracting Scandal is a "Myth"

ASBL press release

Petaluma, Calif. - On June 12th, the Small Business Administration (SBA) issued the latest release in a series of press releases entitled "Myth vs. Fact". (http://www.sba.gov/idc/groups/public/documents/sba_homepage/myth_fact.pdf) The latest "Myth vs. Fact" press release is in response to a New York Times article on a multitude of significant problems at the SBA that continue even after the departure of Administrator Steven Preston. In the release, Bush officials at the SBA once again claimed, "Large corporations are not receiving contracts meant for small businesses." (<http://www.nytimes.com/2008/06/12/business/smallbusiness/12sba.html?ref=smallbusiness>)

Despite a growing mountain of evidence, the Bush Administration

is still refusing to admit they diverted billions of dollars in federal small business contracts to a long list of corporate giants. A series of federal investigations beginning in 2002

(<http://www.asbl.com/documents/keystatements.html>) all found the Bush Administration awarded billions of dollars in federal small business contracts to firms such as Lockheed Martin, Boeing, Raytheon, Halliburton, L-3 Communications, Battelle, Titan Industries and British Aerospace and Engineering (BAE).

In 2003, the General Accounting Office (GAO) completed the first investigation into the diversion of government small business contracts to large businesses and found that the Bush Administration awarded federal small business contracts to thousands of large businesses.

Since 2003, over 400

Recent News

The Following articles have been hand picked based on their relevance to the ASBL mission.

[Small Business Set-Aside Reform More Likely](#)

By Tosin Mfon, Kiplinger Business Resource Center
June 20, 2008

[Small-Business Agency's Problems Linger as Leader Moves on to HUD](#)

By Elizabeth Olson, New York Times
June 12, 2008

[SBA critic blasts latest nominee for SBA chief](#)

Central Valley Business Times
June 27, 2008

[When Small Businesses Lose to Big Companies](#)

By Lloyd Chapman, New York Times
June 25, 2008

stories have run in newspapers, magazines and on-line regarding the diversion of federal small business contracts to Fortune 1000 firms. ABC, CBS and CNN have all run investigative stories on the issue.

Bush officials have persistently ignored the overwhelming preponderance of evidence and even claim it is a "myth" that large businesses are receiving federal small business contracts.

(http://www.sba.gov/idc/groups/public/documents/sba_homepage/myth_fact.pdf) The SBA first claimed it was a "myth" that large businesses were receiving government small business contracts in a "Myth vs. Fact" press release on March 11, 2007.

(http://www.sba.gov/idc/groups/public/documents/sba_homepage/news_07-30.pdf) The American Small Business League issued a press release refuting

http://www.sba.gov/idc/groups/public/documents/sba_homepage/news_07-30.pdf) The American Small Business League issued a press release refuting

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Bush Data

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tracts actually went to large businesses.

"After the release of this information I don't think that any spokesperson for the SBA or the Bush Administration has any credibility left on this issue. It seems that the SBA's press office has been lying about this issue for years and cannot be believed anymore," Chapman said.

In March of 2007, Democratic Presidential candidate, Senator Obama released a statement that said, "98 percent of all American companies have fewer than 100 employees. Over half of all Americans work for a small business. Small businesses are the backbone of our nation's economy and we must protect this great resource. It is time to end the diversion of federal small business contracts to corporate giants." The ASBL will be turning this information over to Senator Obama's office and asking for his help to close the loopholes and stop the Bush Administration from further dismantling federal small business programs designed to help middle-class Americans receive government contracts.

New SBA Head Could Spell More Trouble for Middle-Class Firms

ASBL press release

Petaluma, Calif. – Last week, President Bush announced that Santanu "Sandy" Baruah, head of the Commerce Department's Economic Development Administration, would be the third Bush appointee to head the U.S. Small Business Administration (SBA). Like his successor Steven Preston, Baruah has no experience or background working with small businesses and hails from a corporate background. Small business advocates are concerned that Baruah will continue the Bush anti-small business policies that have been the status quo with the Bush Administration's previously appointed administrators.

In 2001, Hector Barretto was President Bush's first appointee to the position. During his tenure, a series of federal investigations (<http://www.asbl.com/documents/keystatements.html>) uncovered the Bush administration had reported billions in awards to Fortune 1000 corporations as small business awards. In 2005 the SBA's own In-

spector General issued three reports, 5-14, 5-15, 5-16, (www.sba.gov/ig/05-15.pdf) that confirmed corporate giants were in fact, getting federal small business contracts. Barretto responded to the diversion of federal small business contracts to large corporations by attempting to explain it as miscoding and harmless computer errors.

Administrator Steven Preston's time at the SBA was marked by his refusal to release the names of actual recipients of federal small business contracts. He attempted to describe the diversion of federal small business contracts to large corporations as a "myth." Like Barretto, Preston also refused to implement the 5 percent women owned set-aside goal, which was passed by Congress in 2000. During his tenure at the SBA, Preston removed the annual revenue and total employee fields from the government's database of federal contractors, effectively preventing the public from determining whether a federal contractor is small or large.

On June 30, 2007, Pre-

ston adopted an unpopular SBA policy originally proposed as a grandfathering policy that will allow Fortune 500 firms to keep their federal small business contracts through 2012. Critics of the Bush Administration are concerned that Baruah will try to further dismantle programs for middle class firms by increasing the federal definition of a small business to allow large businesses to take contracts meant for legitimate small businesses.

During his administration, President Bush has cut the SBA's budget and staffing in half. Each successive administrator has adopted policies that have continued to dismantle programs that were designed to help American small businesses.

The American Small Business League (ASBL) thinks that this third administrator will continue the practices and policies of Barretto and Preston in undermining federal small business programs. ASBL is concerned that before leaving office, President Bush will make one last attempt at closing the SBA and ending federal pro-

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DOI Report

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that will allow Fortune 500 firms to continue to receive federal small business contracts until the year 2012. Preston also removed all information from the government's Central Contractor Registration (CCR) database that could be used to determine if a firm was small or large. Additionally, Preston refused to release the specific names of all firms that received government small business contracts.

Senator Barbara Boxer (CA - D) has written a bill entitled, the Fairness and Transparency in Contracting Act of 2008. If passed into law, the bill would completely stop the diversion of federal small business contracts to large corporations.

The American Small Business League (ASBL) projects that the diversion of federal small business contracts to large corporations during the Bush Administration could top \$800 billion.

"Federal investigations have been coming out for roughly 6 years now that clearly show that Fortune 500 corpo-

rations are the actual recipients of federal small business contracts and yet the Bush Administration continues to maintain that it is a 'myth' that large firms receive federal small business contracts

(<http://www.sba.gov/ig/05-15.pdf>)," ASBL President Lloyd Chapman said. "This situation is obviously not limited to the DOI. The intentional diversion of federal small business contract dollars to Fortune 500 firms is a government wide problem. The SBA's own Inspector General found widespread fraud in federal contracting in Report 5-16.

(<http://www.sba.gov/ig/05-16.pdf>) It is time for Congress to finally pass Senator Boxer's, Fairness and Transparency in Contracting Act of 2008, and it is time for the GAO to look at the federal government as a whole and get to the bottom of this problem. I am confident that if Senator Obama becomes President, his administration will right these wrongs in short order. You won't see Fortune 500 firms receiving U.S. government small business contracts under an Obama administration."

Department of Energy and SBA Silent when Questioned

On June 24 – 26 2008, the U.S. Department of Energy (DOE) held it's 9th Annual Small Business Conference in San Antonio, Texas. Kevin Baron, Director of Government Affairs for the ASBL, was in attendance at the convention.

During a question and answer session following the morning plenary seminars, Kevin asked any DOE or SBA representative that was present to explain "what oversight mechanisms do you have in place to ensure that the small business contract awards that are being counted towards your procurement goals are, in fact, going to legitimate small businesses?" The question was met with complete silence. After several moments of silence, Ralph C. Thomas III, Esq., a panelist on stage and Counsel for the Government Contracts Practice Group Buchanan, Ingersoll & Rooney, asked Kevin if he was from the American Small Business League, and when Kevin answered yes, Mr. Thomas responded that since he was not a government employee, he was not willing to answer the question.

It was at that moment that Kevin's microphone was shut off and the moderator announced that it was a perfect time to take a break. With numerous representatives from the DOE and SBA present, no one was willing to answer or debate Kevin on his question. The complete lack of a response from DOE and SBA representatives clearly showed the hundreds of shocked and outraged small businesses gathered at the conference that the diversion of federal small business contracts to large firms is a pervasive and ongoing problem, which the government refuses to acknowledge.

Their silence speaks volumes.

The lack of response that Kevin received was proof that the government is not only aware that large and Fortune 500 firms are receiving billions of dollars every year in small business contracts, but that they have allowed or even encouraged this abuse to continue. We must stand together to end this abuse – **join the ASBL today by visiting www.ASBL.com**

New SBA

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grams that assist small business owners by combining the SBA with the United States Department of Commerce.

"Small businesses need to stand together and make sure that the Bush Administration does not continue to erode programs designed to help America's 27 million small businesses," President of the ASBL, Lloyd Chapman said. "I am confident that if Senator Obama becomes president he will restore the SBA's budget and staffing, and undo virtually everything the Bush Administration has done to dismantle programs designed to help veteran, women, and minority owned firms and the small businesses where most Americans work. I cannot imagine an Obama Administration allowing Fortune 500 firms to continue to receive federal small business contracts."

American
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Myth

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each of the SBA's statements. (<http://www.asbl.com/showmedia.php?id=577>)

Even federal offices headed by Bush appointees acknowledged that Fortune 1000 firms and other large businesses have been the actual recipients of billions of dollars in federal small business contracts.

In 2004, the SBA Office of Advocacy, headed by Bush appointee Thomas Sullivan, released an investigation on a sampling of government contracts that discovered firms such as Hewlett-Packard, Oracle, Raytheon, General Dynamics, Northrop Grumman, Booze Allen Hamilton and the Carlyle Group received billions of dollars in contracts the Bush Administration reported as going to small businesses. (<http://www.asbl.com/asbl.resource/content/supdoc/SBAreport.pdf>)

In statements to the Senate Committee on Small Business and Entrepreneurship in July of 2006, Bush appointee Eric Thorson, the SBA's own Inspector General, acknowledged large firms were being al-

lowed to receive and perform government small business contracts. His recommendations to stop the flow of federal small business contracts to large firms were subsequently ignored by SBA Administrator Steven Preston. (<http://www.sba.gov/ig/WrittenStatement-7-12-06SSBEC-HearingonGovernment.pdf>)

The most damaging evidence against the SBA's latest "Myth vs. Fact" press release comes from the SBA's own Office of Inspector General.

In Report 5-15, the SBA Inspector General stated, "One of the most important challenges facing the Small Business Administration (SBA) and the entire Federal Government today is that large businesses are receiving small business procurement awards and agencies are receiving credit for these awards." (<http://www.sba.gov/ig/05-15.pdf>)

Report 5-14, found the SBA itself inflated their small business contracting data by reporting millions of dollars in awards to large business as small business awards. In one example

the SBA reported contracts to the Dutch giant Buhrmann NV as small business awards. (<http://www.sba.gov/ig/05-14.pdf>) Buhrmann is headquartered in Amsterdam and has thousands of employees in over 25 countries worldwide.

In June, the ASBL won its fourth federal lawsuit against the SBA under the Freedom of Information Act (FOIA). The SBA was forced to release over 10,000 pages of documents on the actual recipients of federal small business contracts for fiscal years 2005 and 2006. The data proved conclusively that the Bush Administration had in fact awarded billions of dollars in federal small business contracts to Fortune 1000 firms and hundreds of other large businesses. Third party analysis of the data found hundreds of individual Fortune 1000 firms had received as much as \$900 million annually in federal small business contracts. The data is available on the ASBL website.

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