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TESTIMONY OF

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**BEFORE THE UNITED STATES HOUSE
COMMITTEE ON SMALL BUSINESS**

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Chairwoman Velázquez, Ranking Member Chabot and Members of the House Committee on Small Business:

Thank you for inviting me to appear before you today to discuss small business participation in the aftermath of Hurricane Katrina. As you know, several military installations were impacted by Hurricane Katrina including Keesler Air Force Base in Biloxi, Mississippi; Maxwell-Gunter Air Force Base in Montgomery, Alabama; Naval Air Station, New Orleans, Louisiana; Naval Air Station, Pascagoula, Mississippi; and the Marines Forces Reserve Headquarters, New Orleans, Louisiana, as well as shipyards and production facilities. Tens of thousands of Department of Defense personnel, including the military and civilian active workforce, military and civilian retirees, contractors, local businesses, and families in support of the Department of Defense were directly affected.

The Department of Defense agrees with the March 2007 GAO Report recommendations and has initiated actions in support of those recommendations to 1) issue guidance reinforcing the importance of the subcontracting plan requirements and 2) ask the Department of Defense Inspector General to conduct a review at the appropriate future date to

ensure the subcontracting plan guidance is being followed. The GAO found, at the time the Report was issued, that one contract action could not be explained with respect to the lack of a subcontracting plan. Since the issuance of the GAO Report, the Department has determined and reported to the GAO that this contract did not, under the current regulations, require a subcontracting plan. As a result, the Department of Defense believes that it has satisfied all concerns expressed in this report by the GAO on all contracts and the requirement and reporting of the subcontracting plans for each contract.

The GAO Report states that small businesses received 28% of the \$11 billion in contracting dollars from DHS, GSA, United States Army Corp of Engineers and the Department of Defense. Local businesses of all sizes in Alabama, Louisiana and Mississippi received 18%, or \$1.9 billion, of the \$11 billion. Of the \$1.9 billion, small business received 66% of the awards to provide trailers, administrative and service buildings, restoration activities, clean-up activities, excavation, debris removal and temporary roofing installation.

The GAO Report, Table 5, page 24 entitled, Subcontracting Plan Requirements by Dollar Amount Provided, identified \$483.6 million of contract actions awarded by the Department of Defense as not requiring a subcontracting plan. \$475.9 million of these contract actions represented data entry errors where contract actions should have been coded to reflect that a subcontracting plan was obtained for that contract action or that “no subcontracting possibilities” exist.

The Department of Defense has issued an Interim Rule amending the Defense Federal Acquisition Regulation Supplement Part 218 for Emergency Acquisitions. This rule enables flexible acquisition management and provides a single reference that may be used to facilitate and expedite acquisition of supplies and services during emergency situations. In addition, the Defense Procurement and Acquisition Policy (DPAP) office has established an Emergency Procurement Committee that meets weekly and includes membership of the Department of Defense Small Business Program Office. Outcomes from those meetings have resulted in a number of initiatives based on lessons learned. For example:

- A contingency contracting guide, in the form of a pocket size handbook, is being developed for the Department of Defense military and civilian acquisition workforce;
- Initiatives are being undertaken for improved processes to expeditiously procure goods and services in emergencies/contingency operations;
- A web-based Community of Practice has been established on the Defense Acquisition University website www.dau.mil.

Our capacity to innovate drives our Nation's economy, provides for our national security and enables our technological leadership role of the Department of Defense. The Office of Small Business Programs, which oversees an annual budget of \$1.3 billion for the Department of Defense Small Business Innovation Research programs, is a key component of that effort. Approximately 3,000 contracts are awarded annually for these research programs to small business. These innovative research awards enable our agility and flexibility to maintain our decisive advantage for existing and future challenges to protect our freedom and respond to natural disasters.

Small business prime and subcontract dollars have virtually doubled between 2000 and 2005, approaching \$100 billion annually. This mainstream of the small business industrial base coupled with innovation provides additional momentum for our military and civilian workforce at the Department of Defense to protect our country.

In addition to mainstream industry presence and innovative research programs, the Department of Defense also utilizes Comprehensive Subcontracting Programs and Mentor-Protégé Programs to incentivize small business to participate in opportunities at the Department of Defense. For example, today the Department of Defense has 152 Mentor-Protégé agreements with small business companies that encompass 40 states.

Examples of those small business products and services are:

- High accuracy global positioning equipment
- Three dimensional model design and development for hazardous sites
- Ruggedized radar and sonar display systems
- Thermal batteries for smart technology insertion opportunities
- Aircraft inspection, repair and refurbishment
- Manufacturing development and methods improvement for canvas products, textiles and acoustical blankets

- Modeling and simulation of information architectures
- Information security and technology analysis and training support
- Advanced surface mount circuit board manufacturing
- Sensor integration solutions with robotic and biometric integration

In summary, we, at the Department of Defense, are very committed to the health and welfare of our people and our nation. We have a strong small business program and are planning to build on that strength to provide more agility and flexibility for the acquisition of products and services to protect our country and provide emergency help in the time of need for natural disasters here on the home front or abroad when called upon.

I thank the committee for their time today, and their leadership in addressing the small business participation in the aftermath of Hurricane Katrina. I will be happy to answer your questions.