



## United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, DC 20240

SEP 29 2009

## Memorandum

To: Debra E. Sonderman  
Director, Office of Acquisition and Property Management

From: Kimberly Elmore *Robert Romanchuk for*  
Assistant Inspector General, Office of Audits, Inspections and Evaluations

Subject: Follow-up to OIG's 2008 evaluation report, "Interior Misstated Achievement of Small Business Goals by Including Fortune 500 Companies. (Report No. W-EV-MOI-0003-2008)"

In July 2008, the Office of Inspector General (OIG) reported that fiscal year (FY) 2006-2007 data obtained from the Federal Procurement Data System – Next Generation (FPDS-NG) contained contracts to large businesses that had been flagged as small business contracts by contracting officers (see attached Report No. W-EV-MOI-0003-2008). Among those that had been erroneously flagged as small businesses were well-known Fortune 500 companies such as Dell, Home Depot, Waste Management, and Xerox.

In response to the July 2008 OIG report, the Department stated that it would begin reviewing FPDS-NG data as part of its internal control reviews in FY 2009, with a targeted completion date of August 31, 2009. When completed, we respectfully request that you provide us with a copy of the FY2009 internal control reviews of FPDS-NG data. The purpose of this inspection is to assist the Department in improving the accuracy of FPDS-NG reporting.

**Inspection Results**

In August 2009, we reviewed FPDS-NG contract entries that were designated as small business actions within FY 2009 data (see Appendix 3 for the methodology). We found that contracting officers continue to flag contracts to large business as small business contracts. In fact, FY 2009 contracts were incorrectly reported as small business contracts for some of the same Fortune 500 companies identified in the FY 2006-2007 data, namely Dell, Home Depot, Waste Management, and Xerox.

Other Fortune 500 companies that were identified in the FY 2009 data as having been incorrectly reported are AT&T, Apple, FedEx, General Electric, IBM, Sun Microsystems, and Verizon (see Appendix 1). These companies are so large that there is no question that they do not meet the size standards for a small business in any industry. In addition to these large businesses, a number of contracts to government entities, such as states, cities, counties, university, airports, detention centers, and the U.S. Postal Service were flagged as small business actions (see Appendix 2). By their very definition, these government entities do not qualify as small businesses. Although not shown in the contract actions listed in the appendices, we also noted that contract actions awarded to The Nature Conservancy and Ducks Unlimited, two large non-profits, were incorrectly reported as small business actions. Neither non-profit is a small business according to their certifications in the Online Representations and Certifications Application (ORCA).

2009 Fortune 500		
Company	Rank	Revenue (\$ billions)
General Electric	5	183.2
AT&T	8	124.0
IBM	14	103.6
Verizon	17	97.4
FedEx	59	38.0
Apple	71	32.5
Sun Microsystems	187	13.9

Although they may not be household names, we identified other large businesses that were incorrectly flagged as small businesses:

- **ASAP Software Express** – Subsidiary of Dell Inc., No. 33 among the Fortune 500 and one of the world's leading brands.
- **CDW** – Leading provider of technology solutions for business, government, and education, with net sales of over \$8 billion in 2008.
- **IKON Office Solutions Inc.** – Subsidiary of Ricoh, a \$22 billion global technology innovator.
- **Nortel Government Solutions** – Division of Nortel, a leader in delivering communications capabilities, with revenues of over \$10 billion in 2008.
- **Shimadzu Scientific Instruments, Inc.** – Manufacturer with over 9,000 employees and net sales of \$2.9 billion in 2008.
- **Tandberg Inc.** – Leading global provider of video conferencing products and services in more than 90 countries worldwide.
- **United Rentals** – Largest equipment rental company in the world, with about 8,600 employees and over 580 rental locations throughout the United States, Canada, and Mexico.
- **VMware** – Global leader in computer virtualization solutions, with revenues of \$1.9 billion in 2008.

A simple check on ORCA or the Central Contractor Registration (CCR) would have shown that these large businesses and government entities are not eligible small businesses. From the results of this inspection, we found that contracting officers are still failing to take this basic step when reporting contract actions in FPDS-NG.

In total, our inspection of FY 2009 contract entries designated as small business actions shows that 61 contract actions to large businesses, totaling about \$1.8 million, were incorrectly reported as small business contracts. In addition, 150 contract actions to government entities, totaling over \$3.2 million, were incorrectly reported as small business contracts. While the total number of contract actions found to be in error is relatively small compared to the total number of small business contract actions in FY 2009 ( $211/50,568 = 0.4\%$ ), the fact that these errors continue to exist casts doubt on the validity of the small business contracting achievements being reported by the Department.

The scope of this inspection was limited to visually scanning the list of small business contracts for those that were awarded to business and government entities that are obviously not small businesses; a more extensive review would uncover additional contracts that had been incorrectly categorized and reported as small business contracts.

## **Recommendations**

We recommend the following:

1. Correct the contract actions identified in this report that were incorrectly flagged as small business and report the corrections to any previously submitted small business achievement reports.
2. Reemphasize to contracting officers, through training or other means as appropriate, the importance of correctly reporting contract actions in FPDS-NG.

We ask that you apprise us within 30 days of the actions you take or plan to take in response to this report. If you have any questions, please call me at (202) 208-5745.

Attachment

## Appendix 1: Large Businesses Reported as “Small Business” in FPDS-NG

<b>Company Name</b>	<b>DUNS Number</b>	<b>No. of Actions</b>	<b>Total Obligated</b>
Allied Waste North America, Inc.	964034185	1	\$5,000
Apple Inc.	060704780	1	\$2,800
ASAP Software Express (Dell subsidiary)	121482657	3	\$13,384
AT&T Corp.	621599893	1	\$7,546
CDW Government Inc.	026157235	3	\$575
Dell Computer Corporation	114315195	2	\$409
Federal Express Corporation (FedEx)	185743655	1	\$500
Federal Express Corporation	610703282	1	\$2,550
General Electric Company (GE)	197968550	1	\$3,570
Home Depot, Inc.	072271711	1	\$0
IKON Office Solutions, Inc. (Ricoh subsidiary)	959124272	2	\$3,015
IKON Office Solutions, Inc.	609263728	1	\$19,089
IKON Office Solutions, Inc.	031435915	1	\$8,500
IKON Office Solutions, Inc.	602494429	2	\$792
IKON Office Solutions, Inc.	043964519	4	\$9,070
International Business Machines Corporation (IBM)	060790131	1	\$19,276
Nortel Government Solutions Inc.	151770955	10	\$1,563,337
Residence Inn by Marriott	825901460	8	\$13,230
Shimadzu Scientific Instruments, Inc.	080549942	4	\$60,067
Sun Microsystems, Inc.	092249577	1	\$4,243
Tandberg, Inc.	961220415	1	\$42,916
United Rentals, Inc.	176333961	1	\$3,782
Verizon Federal Inc.	178041406	1	\$3,025
VMWare, Inc.	048870740	1	\$0
Waste Management Incorporated	194672085	5	\$7,155
Waste Management Incorporated	096584198	1	-\$677
Xerox Corporation	153872643	1	\$1,000
Xerox Corporation	607932829	1	-\$2,144
<b>Totals:</b>		<b>61</b>	<b>\$1,792,010</b>

## Appendix 2: U.S. Government Entities Reported as “Small Business” in FPDS-NG

<b>U.S. Government Entities</b>	<b>DUNS Number</b>	<b>No. of Actions</b>	<b>Total Obligated</b>
Arizona State University	943360412	1	-\$7,490
California Water Resources Control Board	808321913	1	\$2,400
City of Albuquerque	149716771	1	-\$4,963
City of Carson City	073787152	2	\$5,000
City of Farmington	080376346	1	\$13,000
City of Flagstaff	069402704	1	\$17,363
City of Forks	013510255	2	\$2,586
City of Grand Coulee	032133480	2	\$28,350
City of Kanab	052293362	1	\$0
City of Marsing	096215319	2	\$60,000
City of Middleton	017194601	1	\$1,548
City of Roswell	030172910	2	\$0
City of Twin Falls	959433640	1	\$0
City of Winnemucca	043859255	2	\$0
County of Caddo	055180053	2	\$24,860
County of Cascade	005524850	2	\$172,400
County of Coconino	838150878	6	\$371,425
County of Douglas	010984979	1	\$0
County of Duchesne	805983756	6	\$175,000
County of Elko	097761209	5	\$4,500
County of Gallatin	174978999	2	\$45,305
County of Garfield	014842983	2	\$29,105
County of Grady	806238143	2	-\$50,573
County of Hill	102224925	1	-\$5,000
County of Humboldt	076130863	5	\$39,000
County of Humboldt	199625666	2	\$5,000
County of Inyo	010706687	1	\$0
County of Knox	020187522	3	\$70,000
County of Lane	030786248	2	\$30,000
County of Lincoln	625315270	1	\$6,250
County of Lincoln	070052444	3	\$210,000
County of Lincoln	041673419	3	\$5,000
County of Lincoln	050740539	2	\$298,631
County of Mc Kinley	848652483	6	\$543,400
County of Nez Perce	072082402	6	\$1,302
County of Otero	051073658	4	\$259,463
County of Pennington	783096931	4	\$50,000
County of Sacramento	114073344	1	\$259

County of Shasta	107379997	1	\$3,978
County of Uintah	050534361	1	\$0
County of Washoe	609738455	5	\$252,900
County of Yavapai	031385748	4	\$123,000
Eastern Shore of Virginia Chamber of Commerce	074949892	1	\$5,000
Idaho Department of Water Resources	141626130	1	\$6,090
Lake City Hinsdale County Chamber of Commerce	928953702	1	\$0
Lake Region Law Enforcement Center	617408133	5	\$112,620
Mineral County Juvenile Probation	028950967	2	\$19,790
Montana Dept of Justice	091932637	1	\$11,340
North Dakota Dept. of Corrections and Rehabilitation	803873421	1	\$64,650
Northern Oregon Regional Corrections Facilities	017133849	4	\$0
Oklahoma City Water Resources Board	005621370	4	\$1,600
Sacramento Regional County Sanitation District	008016008	1	\$584
Salt Lake International Airport	126307961	1	\$0
Sandoval County Detention Center	626698596	3	\$147,960
Town of Browning	023389781	1	\$350
Town of Coulee Dam	014769314	2	\$28,350
Town of Electric City	085189231	2	\$28,350
United States Postal Service	077631943	4	\$17,871
United States Postal Service	627469570	2	\$3,000
United States Postal Service	627875818	1	\$2,994
University of Georgia	607393444	1	\$6,750
University of Georgia	175360700	1	\$10,570
University of Maryland Center for Environmental Science	021463831	1	\$7,272
University of Tennessee	003387891	1	\$9,500
University of Wyoming	069690956	1	\$589
Virginia Polytechnic Institute and State University	003137015	2	\$0
White Pine County Airport	039837328	2	\$9,600
Yamhill Soil and Water Conservation District	111783663	1	\$781
<b>Totals:</b>		<b>150</b>	<b>\$3,278,610</b>

### **Appendix 3: Methodology**

The following methodology was used in conducting this inspection:

1. Conducted the inspection in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.
2. FY 2009 DOI contract actions data was downloaded from the FPDS-NG website at <http://www.fpds-ng.com> on August 21, 2009.
3. All contract actions having a "Contracting Officer Business Size Determination" of 'S' were extracted from the dataset.
4. The list of small business contract actions was sorted based on contractor name.
5. The list was visually scanned, looking for contractor names of obviously large companies and government entities.
6. The Dun & Bradstreet (DUNS) numbers for entities suspected to be ineligible for small business designations were checked against the ORCA and/or CCR federal databases. For five of the large business, including Home Depot and Sun Microsystems, there was no entry in ORCA for the associated DUNS number and CCR was relied on instead. Dell Computer Corporation did not have a record in ORCA or CCR.
7. In some cases, company websites were reviewed for additional information.
8. For entities confirmed to be ineligible for small business designations, the number of actions and total value of obligations was calculated. Actions were included regardless of the type of action. Some actions deobligated money from the contract, as evidenced by the negative amounts in Appendices 1 and 2. Other actions were of an administrative nature and did not result in any changes to funding.

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*Department of the Interior  
Office of Inspector General*



***INTERIOR MISSTATED  
ACHIEVEMENT OF SMALL  
BUSINESS GOALS BY  
INCLUDING FORTUNE 500  
COMPANIES***

*July 2008*

*Report No. W-EV-MOI-0003-2008*





# United States Department of the Interior

Office of Inspector General  
Washington, D.C. 20240

JUL - 1 2008

## Memorandum

To: P. Lynn Scarlett  
Deputy Secretary

From: Earl E. Devaney  
Inspector General

Subject: Evaluation Report – *Interior Misstated Achievement of Small Business Goals by Including Fortune 500 Companies.*  
(Report No. W-EV-MOI-0003-2008)

This report presents our evaluation to determine if the Department of the Interior (DOI) and its bureaus have accurately reported their small business contracting achievements (see Appendix 1).

We found about \$5.7 million in awards to large businesses for which DOI received small business credit in fiscal years 2006-2007. Several of the businesses are obviously large, such as Home Depot, John Deere, Dell, Sherwin Williams, Starwood Hotels and Waste Management. These awards were included in the accomplishments reported by DOI's Office of Small and Disadvantaged Business Utilization and in the SBA Small Business Goaling Reports for fiscal years 2006 and 2007.

The main reasons that contracts to large businesses have been incorrectly coded as small business contracts relate to data entry mistakes, reliance on incorrect data, and a failure on the part of contracting officials to verify business size reported in Central Contractor Registration.

The intent of the Small Business Act is to aid, counsel, assist, and protect the interests of small business concerns. However, unreliable data and data entry mistakes including errors caused by the failure of contracting officers to consistently verify business size have not protected small business interests. In order to improve the reliability and accuracy of the Department of the Interior's small business procurement data, we made three recommendations.

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## Acronyms

8(a) .....	The 8(a) Business Development Program
ANC .....	Alaska Native Corporation
CCR .....	Central Contractor Registration
DOI .....	U.S. Department of the Interior
DSBS .....	Dynamic Small Business Search
DUNS .....	Data Universal Numbering System
FAR .....	Federal Acquisition Regulation
FPDS-NG .....	Federal Procurement Data System—Next Generation
GAO .....	Government Accountability Office
GSA .....	General Services Administration
HUBZone .....	Historically Underutilized Business Zone
OFPP .....	Office of Federal Procurement Policy
ORCA .....	Online Representations and Certifications Application
SBA .....	Small Business Administration
SDB .....	Small Disadvantaged Business



## Background

In the Small Business Act of 1953, Congress voiced its conviction that the Federal Government should “aid, counsel, assist, and protect...the interests of small business concerns...to insure that a fair proportion of the total purchases and contracts or subcontracts for property and services for the Government ...be placed with small business enterprises.” Each federal agency establishes an annual goal that represents the maximum practicable opportunity for small business concerns to participate in the performance of contracts let by that agency.

Today, generally speaking, the term “small business” encompasses the following groups of businesses (see the Glossary for descriptions):

- Small Business concerns,
- Small Disadvantaged Business (SDB) concerns,
- Historically Underutilized Business Zone (HUBZone) concerns,
- 8(a) Program Small Business concerns,
- Service Disabled Veteran-Owned Small Business concerns,
- Veteran-Owned Small Business concerns, and
- Woman-Owned Small Business concerns.

Some small business groups, such as SDB, HUBZone, and 8(a), are required to be formally certified by the Small Business Administration (SBA) in order to receive small business benefits. Other small business groups merely self-represent their business status.

Ongoing concerns over the accuracy of small business goal achievement and the reliability of procurement data in the Federal Procurement Data System-Next Generation (FPDS-NG), Central Contractor Registration (CCR), and Online Representations and Certifications (ORCA) have been cited in previous reports by the Government Accountability Office (GAO), SBA’s Office of Inspector General, and SBA’s Office of Advocacy. These reports found that agencies counted awards made to large and other



The Central Contractor Registration (CCR) is the primary vendor database for the federal government. The CCR

collects, validates, stores and disseminates data in support of agency acquisition missions. Vendors are required to register in CCR in order to be awarded government contracts and they must update or renew their registration annually to maintain an active status.

The Online Representations and Certifications Application (ORCA) allows



contractors to enter their Representations and Certifications for use on all federal contracts. ORCA is complementary to CCR and pre-populates some fields with data from CCR.



SBA’s Dynamic Small Business Search (DSBS) is a database that increases contracting opportunities for small businesses. DSBS is automatically populated with business information from CCR.

The Federal Procurement Data System – Next Generation (FPDS-NG) was launched by GSA on October 1, 2003. It is the central repository of information on federal contracting and includes contracting data beginning with fiscal year 2004.



USASpending.gov was launched on December 13, 2007 by OMB as a result of the Federal Funding Accountability and Transparency Act of 2006 which required a single searchable website, accessible by the public for free, that includes detailed information about each federal award, including contracts. It is modeled after a system created by OMB Watch, a non-profit organization.





ineligible businesses towards their small business procurement goals (For a complete list of prior audit coverage, see Appendix 3).

The Department of the Interior's (DOI) Office of Small and Disadvantaged Business Utilization (Utilization Office) strives to improve and increase the Department's performance in utilizing small businesses as contractors and subcontractors. Last year, DOI bureaus awarded approximately \$1.6 billion dollars to small business entities. In fiscal year 2007, the Department achieved its overall small business goal.

## Results of Evaluation

Unreliable data, including errors caused by the failure of contracting officers to consistently verify business size, resulted in the inclusion of large businesses and other ineligible groups<sup>1</sup>, including Fortune 500 companies, in the Department's small businesses goal achievement data. Incorrect data brings into question the accuracy of the small business goal achievement reported by DOI. The following table shows the Fortune 500 companies that received small business contracts in fiscal years 2006 and 2007. A complete list of large businesses and other ineligible groups that received small business contracts is provided in Appendix 4.

FPDS-NG is the only government-wide system that tracks federal contracts. In its reports over the past several years, GAO has consistently reported FPDS-NG inaccuracies that resulted from data entry errors.

To deal with inaccuracies within the Department, DOI's Office of Acquisition and Property Management (PAM) has issued a number of policy statements in its attempt to ensure the accuracy of contract data in FPDS-NG. A 2004

Fortune 500 Companies		
Company	Rank	Revenue (\$ billions)
Home Depot	17	90.84
Dell	34	57.10
John Deere	98	22.77
Weyerhaeuser	105	22.25
Xerox	145	15.90
Waste Management	181	13.36
Sherwin Williams	309	7.81
McGraw-Hill	366	6.26
Starwood Hotels	381	5.98

*These Fortune 500 companies were included in DOI's small business goal achievement for FY 2006-2007.*

policy memorandum states that each bureau is required to review a statistical sample of data each quarter and PAM will conduct an additional review at the Department level each quarter. Despite these attempts, errors continue to be made and often go unnoticed.

We reviewed FPDS-NG data and found about \$5.7 million in awards to large businesses for which DOI received small business credit in fiscal years 2006 and 2007. Several of the businesses are obviously large, such as Home Depot, John Deere, Dell, Sherwin Williams, Starwood Hotels and Waste Management. These awards were included in the accomplishments reported by DOI's Utilization Office and in the SBA Small Business Goaling Reports for fiscal years 2006 and 2007.

The main reasons that contracts to large business have been incorrectly coded as small business contracts relate to data entry mistakes, reliance on incorrect data, and a failure on the part of contracting officials to verify business size reported in CCR.

1. Other ineligible businesses include entities in the public administration sector, such as Federal, State, and local governments as well as state universities. Small business size standards are not established for this sector.



## Data entry mistakes

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FPDS-NG, which replaced the earlier generation FPDS in 2003, was designed to eliminate many types of data entry mistakes. For example, many of the data fields are now automatically populated from the CCR database. In addition, PAM created policies for the bureaus and their contracting officers to ensure the data entered into FPDS-NG was accurate. In its June 2004 policy memorandum, PAM placed special emphasis on correct vendor size determinations. The policy also established a procurement data quality control plan which involves periodic reviews of FPDS-NG data.

In FY 2006, PAM issued another policy calling for greater attention to the accuracy of data submitted by reporting and reviewing personnel, especially the business size status and all socioeconomic information. In FY 2007, PAM required bureaus to confirm in their FPDS-NG certifications that vendor size determinations were correct in relation to the ORCA database. In addition, FAR requires contracting officers to verify that a prospective contractor is registered in CCR before awarding a contract.

Despite these policies, contracting officers erroneously recorded contracts to large businesses as small business contracts. For example, John Deere and Waste Management were coded as small businesses in FPDS-NG, and, as a result, contracts to these companies were included in DOI's achievement of its small business goal. Contracting officers admitted that these companies are not small and were incorrectly coded as small.

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"Contracting officers often click through mindlessly when entering contracts in FPDS-NG."

— DOI Contracting Officer

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In addition, we found that contracting officers failed to consistently check CCR prior to award. For example, DOI issued several small business

contracts to divisions of Waste Management in fiscal years 2006 and 2007. Of the six contracting officers contacted regarding small business contracts to Waste Management, five of them said that Waste Management had been incorrectly coded as a small business. The contracting officers told us they did not check CCR prior to awarding the contract. If they had checked CCR they would have discovered that Waste Management was not a small business.

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"If contracting officers did their job [FPDS-NG errors] wouldn't happen."

— DOI Contracting Officer

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Further, we also found errors resulting from the way in which GSA Schedule orders were entered in FPDS-NG. Contracting officers told us that GSA orders should be entered in FPDS-NG as delivery orders that reference the GSA contract, in which case the system automatically pre-fills many of the fields with information from the GSA contract. In a couple of cases, we found that DOI contracting officers had entered GSA orders in FPDS-NG as purchase orders instead of delivery orders, thereby bypassing the entry of the GSA contract number. As a result, the contracting officers were able to make their own determinations regarding business size. In one case, GSA had correctly determined that the vendor was a large business, yet the DOI contracting officer was able to erroneously record it as an SBA set-aside to a small business. A contracting officer told us that they had recently received training regarding the proper entry of GSA acquisitions as delivery orders, rather than purchase orders.

In several cases, contracting officers that we spoke with corrected errors in FPDS-NG that were brought to their attention. Conversations with contracting personnel highlighted the need for increased attention to small business procurements, including the importance of accurate FPDS-NG data entry.



## Reliance on incorrect data

In some cases, unreliable data was the result of contracting officers who relied on information in CCR, ORCA, or FPDS-NG that was not correct. Businesses are required to update their CCR profile each year; however, we found CCR registrations containing data that was either extremely outdated or simply incorrect.

For example, we identified three divisions of Xerox Corporation that are currently listed as small businesses in CCR. Two of the divisions are also identified as small businesses in the Dynamic Small Business Search (DSBS) database of CCR. Xerox Corporation ranks #145 on Forbes Fortune 500 companies and is not a small business. We also found that John Deere Construction & Forestry, a division of the John Deere Company, is listed as a small business in CCR, ORCA, and DSBS. In its ORCA registration, John Deere Construction & Forestry claimed that it had fewer than 500 employees and less than \$2 million in annual revenue. However, the John Deere Company has about 50,000 employees and about \$22 billion in annual revenue and does not qualify as a small business.

In yet another example, Dell Federal Systems GP LLC, a subsidiary of Dell Incorporated, is identified as a small business in its CCR registration. Dell Incorporated, however, ranks #34 on Forbes Fortune 500 with over \$57 billion in annual revenue.

In the examples above, contracting officers recorded contracts to these vendors as “small business” in FPDS-NG based on the information found in CCR. In the case of Dell Federal Systems GP LLC, DOI issued 45 contract actions in fiscal years 2006 and 2007, totaling \$281,490. Despite the fact that contracting officers correctly determined Dell was a large business for 41 of those actions, the opportunity exists for contracting officers to make mistakes by relying on incorrect information in CCR. Because contracting officers rely on CCR to determine whether or not a vendor is a small

business, it is imperative that the information contained in CCR is correct and that contracting officers are consistent and diligent in verifying vendor size.

DOI contracting officers also rely on incorrect size determinations made by other agencies. For interagency contracts and contracts for multi-agency use, such as blanket purchase agreements, indefinite delivery/indefinite quantity contracts, GSA Schedule contracts, and government-wide acquisition contracts, the size determination is made by the contracting officer who awarded the initial contract. When that contracting officer incorrectly codes a contract as small business, the error is reflected on all subsequent task orders. FPDS-NG prevents modification of size determinations so the only recourse that DOI contracting officers have is to request that the contracting officer that initiated the original contract make the correction. Contracting officers informed us that GSA is slow to respond to such requests.

## Recommendations

In order to improve the reliability and accuracy of DOI’s procurement data, we make the following recommendations:

1. Contracting officers that question the size information reported in a CCR registration should contact the appropriate Small Business Administration office to request a size standard review.
2. The Department and bureaus should continue verifying and validating FPDS-NG data, paying special attention to business size determinations. This will include review of FPDS-NG data during cyclical internal control reviews.
3. Training for contracting officers and business utilization specialists should place more emphasis on the importance of correctly determining a business’s size to insure the accuracy of the Department’s small business goals.

## Objective

To determine if the Department of the Interior and its bureaus have accurately reported their small business contracting achievements.

## Scope

The evaluation covered the Department of the Interior and its bureaus for fiscal years 2006 and 2007. The review did not include procurements made by DOI on behalf of other agencies. SBA OIG was consulted during the survey to determine specific areas for review.

## Methodology

To accomplish the evaluation objective, we:

- Conducted the evaluation in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.
- Gained an understanding of the Department's small business contracting program by interviewing Department and bureau officials at the headquarters, regional, and field office levels.
- Analyzed contract data in FPDS-NG for fiscal years 2006 and 2007. We reviewed 472 contract actions in FPDS-NG representing .3% of total actions in fiscal years 2006 and 2007. We excluded contracts awarded by DOI on behalf of other federal agencies. Our analytical techniques included stratifying high dollar small business vendors and an alphabetical scan in FPDS-NG of small business vendors.
- Visited selected sites to review contract files and discuss small business contracting issues with contracting officials. We reviewed 52 contract files during site visits. We selected sites based on preliminary assessments that identified the level of small business contracting at each contracting office (See Appendix 2).
- Reviewed management processes for verifying and validating the reliability of data in the Federal Procurement Data System-Next Generation.



### **Bureau of Indian Affairs**

Central Office, Office of Acquisition and Property Management, Reston, VA

### **Bureau of Land Management**

California State Office, Sacramento, CA

Colorado State Office, Lakewood, CO

### **Bureau of Reclamation**

Mid-Pacific Regional Office, Sacramento, CA

### **U.S. Fish and Wildlife Service**

Headquarters, Washington Office, Arlington, VA

Mountain-Prairie Regional Office, Denver, CO

### **Minerals Management Service**

Headquarters, Herdon, VA

### **National Park Service**

Intermountain Regional Office, Denver, CO

Pacific West Region, Oakland, CA

### **Office of Surface Mining**

Headquarters, Washington, DC

Division of Financial Management, Denver, CO

### **Office of Secretary**

Office of Acquisition and Property Management, Washington, DC

Office of Small and Disadvantaged Business Utilization, Washington, DC

National Business Center Acquisition Services Directorate, Washington, DC

National Business Center Acquisition Services Directorate, Herndon, VA

National Business Center Acquisition Services Directorate, Denver, CO

### **U.S. Geological Survey**

Headquarters, National Center, Reston, VA

Branch of Acquisition and Grants, Sacramento, CA

DOI OIG, SBA OIG, SBA Office of Advocacy, and GAO recently issued reports that were applicable to our evaluation. These reports are listed below.

## OIG

**February, 2008** — *Sole Source Contracting: Culture of Expediency Curtails Competition in Department of the Interior Contracting (W-EV-MOA-0001-2007)*. The OIG found that the percentage of contracting dollars spent by DOI on 8(a) sole-source contracts was significantly higher than the government as a whole. Acquisition officials stated that sole-source contracts to 8(a) firms are faster and easier and help their bureaus meet small business goals. OIG found that GovWorks circumvented competition among 8(a) firms by awarding consecutive contracts to the same contractor for just under the competition threshold. OIG also found that NPS improperly split an 8(a) contract into multiple contracts to avoid competing the contract among other 8(a) firms.

## SBA OIG

**June, 2007** — *Size Determinations Made by District Offices (7-27)*. SBA OIG found the district offices surveyed reported that they generally did not follow SBA regulations when determining whether companies qualified as small for 8(a) procurements. Under SBA regulations, size determinations must be based on payroll records from the preceding 12 months for employee-based size standards, and on tax returns for revenue-based standards.

**March, 2007** — *The Central Contractor Registration Needs Large Business and Small Business Designation Improvements (6-18)*. SBA OIG found that CCR can contain contradictory size information on companies. CCR has two sections that reflect a company's size information and the information in one section can mistakenly contradict the information in the other section. This occurs because there are no checks in the CCR registration process to ensure consistency between the two sections.

**March, 2005** — *Review of Selected Small Business Procurements (5-16)*. The SBA OIG found that, of the contracts reviewed, one small business set-aside contract was improperly awarded, and multiple award contracts were issued based on improper certification.

**February, 2005** — *Large Businesses Receive Small Business Awards (5-15)*. SBA OIG found that flaws in the federal procurement process allow large firms to receive small business awards and agencies to receive small business credit for contracts performed by large firms.

**February, 2005** — *SBA Small Business Procurement Awards Are Not Always Going To Small Businesses (5-14)*. SBA OIG found that large business contract actions were reported as small business awards. SBA determined this was happening based on the following: "life of contract", inconsistent regulations, and GSA Schedules problems.



### SBA Office of Advocacy

**December, 2004** — *Analysis of Type of Business Coding for the Top 1,000 Contractors Receiving Small Business Awards in FY 2002* (Report was prepared by Eagle Eye Publishers, Inc. under contract #SBAHQ-02-M0465). Of the top 1,000 small business contractors in FY 2002, Eagle Eye Publishers' identified 44 parent companies as either large firms or "other." Contracts to these two groups taken together had a total value of \$2 billion. The coding problem could have been a result of erroneously assigned type-of-business codes, a large firm's acquisition of a smaller firm during the fiscal year, or a small firm growing out of its size classification.

### GAO

**April, 2006** — *Contract Management: Increased Use of Alaska Native Corporations' Special 8(a) Provisions Calls for Tailored Oversight* (GAO-06-399). GAO found that contracting officials did not always comply with certain requirements, such as notifying SBA of contract modifications and monitoring the percent of work that is subcontracted. Obligations to Alaska Native Corporations (ANC) quadrupled between 2000 and 2004. Contracting officials told GAO that using ANC firms under the 8(a) program allows them to quickly, easily, and legally award contracts for any value. According to GAO, SBA failed to consistently determine whether awards to 8(a) ANC firms resulted in other small businesses losing contract opportunities. In general, the contracting officers that GAO spoke to were confused about whose responsibility it is to monitor compliance with subcontracting limitations.

**May, 2003** — *Contract Management Reporting of Small Business Contract Awards Does Not Reflect Current Business Size* (GAO-03-704T). GAO found the predominant cause for the misreporting of small business achievements is that federal regulations generally permit a company to be considered as a small business over the life of the contract—even if they have grown into a large business, merged with another company, or been acquired by a large business. In today's federal contracting environment, contracts can extend up to 20 years. In addition, agencies relied on various databases containing inaccurate information on current business size.

### Acquisition Advisory Panel

**January, 2007** — *Report of OMB's Acquisition Advisory Panel to the Office of Federal Procurement Policy and the United States Congress*. The Acquisition Advisory Panel found that inaccurate user data entry compromised the usefulness of FPDS-NG data. The Panel uncovered impossible pairings of supply and NAICS codes, GSA Schedule orders incorrectly identified as noncommercial, and GSA Schedule orders that were reported as something other than a GSA Schedule order. The Panel recommended that Inspector General audits should include sampling to compare FPDS-NG data to the official contract file. They recommended the sampling be done on an ongoing basis, to provide oversight in this area.

# Businesses Incorrectly Coded as Small Businesses\*

Appendix 4

## Ineligible Large Businesses

Vendor Name	FY 06	FY 07
Dell Incorporated	\$51,149	\$350,827
GTSI Incorporated	\$14,744	\$157,940
Home Depot	\$0	\$7,182
John Deere Company	\$390,881	\$227,137
McGraw-Hill Companies	\$14,140	\$0
Ricoh Corporation	\$12,662	\$7,053
Sherwin Williams Company	\$10,002	\$0
Starwood Hotels & Resorts Worldwide, Incorporated	\$7,220	\$4,158
Waste Management, Incorporated	\$26,677	\$217,678
Weyerhaeuser Company	\$4,013	\$2,151
World Wide Technology	\$0	\$12,263
Xerox Corporation	\$31,813	\$43,341
<b>Subtotal:</b>	<b>\$563,301</b>	<b>\$1,029,730</b>

## Ineligible Other Businesses

Vendor Name	FY 06	FY 07
Arizona Department of Game & Fish	\$0	\$5,000
Montana Department of Justice	\$0	\$17,010
Native Village of Savoonga	\$3,500	\$0
Native Village of Selawik	\$7,843	\$8,750
Navajo Nation Tribal Government	\$2,500	\$5,105
Navajo Tribal Utility Authority	\$2,929,935	\$987,592
University of Cincinnati	\$0	\$5,525
University of Georgia	\$0	\$9,730
University of Illinois	\$0	\$5,536
University of Maine System	\$0	\$13,044
University of Maryland Center for Environmental Science	\$0	\$21,561
University of Montana System	\$9,744	\$0
University of North Carolina at Greensboro	\$0	\$10,241
University of Wisconsin Engineering Technical Services	\$0	\$4,083
University of Wisconsin System	\$0	\$14,125
University of Wyoming	\$0	\$1,500
United States Geological Survey	\$10,000	\$0
Ute Mountain Ute Tribe	\$75,000	\$0
Wyoming State Veterinary Laboratory	\$815	\$0
<b>Subtotal:</b>	<b>\$3,039,337</b>	<b>\$1,108,802</b>
<b>Total:</b>	<b>\$3,602,638</b>	<b>\$2,138,532</b>

\*As determined from our review of FPDS-NG data. Some vendors include affiliates with separate DUNS numbers.



**8(a)** — The 8(a) Business Development Program offers a broad scope of assistance to socially and economically disadvantaged firms. 8(a) firms automatically qualify for SDB certification. Status is determined through formal certification with SBA.

**Blanket Purchase Agreement** — A blanket purchase agreement is a simplified method of filling anticipated repetitive needs for supplies or services by establishing “charge accounts” with qualified sources of supply (FAR Part 13.303).

**HUBZone** — Historically Underutilized Business Zone Empowerment Contracting Program stimulates economic development and creates jobs in urban and rural communities by providing contracting preferences to small businesses. HUBZone firms must employ staff who live in a HUBZone and must maintain a principal office in one of these specially designated areas. Status is determined through formal certification with SBA.

**NAICS** — The North American Industry Classification System (NAICS) is an industry classification system used by the statistical agencies of the United States for classifying business establishments. The NAICS code describes what is being purchased and is required on every acquisition above \$2,500. The contracting officer determines the appropriate NAICS code based on a thorough review of the acquisition documentation.

**Office of Small and Disadvantaged Business Utilization** — Establishment of an Office of Small and Disadvantaged Business Utilization is required for each procuring federal agency by the SBA Act.

**Set-Asides** — Small business set-asides are procurements reserved exclusively for small business participation and includes the Small Business Reserve, set-asides above the simplified acquisition threshold, the Small Business Competitiveness Demonstration Program, the HUBZone Empowerment Contracting Program, and the Service Disabled Veteran Owned Small Business Program. The FAR requires that simplified acquisitions, with a value between \$3,000 and \$100,000, be set-aside for small businesses.

**Size Standard** — The term “size standard” describes the numerical definition of a small business. In other words, a business is considered “small” if it meets or is below an established size standard. SBA has established two widely used size standards; 500 employees for most manufacturers and \$6.5 million in average annual receipts for most nonmanufacturing industries. However, many exceptions exist.

**Small Business** — A small business is a concern that is organized for profit, with a place of business in the United States, and which operates primarily within the United States or makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials, or labor. Further, the concern cannot be dominant in its field, on a national basis. Finally, the concern must meet the numerical small business size standard for its industry. SBA has established a size standard for most industries in the U.S. economy.

**Small Disadvantaged Business** — A Small Disadvantaged Business (SDB) is a small business concern that is at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged. SBA certifies SDBs to make them eligible for special bidding benefits.

Sources: *Guide to SBA's Definitions of Small Business, Integrated Acquisition Environment Frequently Asked Questions, and DOI Utilization Office's Small Business Pocket Guide.*

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