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**Statement of Catherine Giordano on Behalf of
Women Impacting Public Policy**

**Before The
U.S. House of Representatives Subcommittee on
Economic Development, Public Buildings, and
Emergency Management
Committee on Transportation and Infrastructure**

**"Doing Business with the Government: The
Record and Goals for Small, Minority, and
Disadvantaged Businesses"**

March 6, 2008

Good morning. Chair Holmes Norton, Ranking Member Graves, and Members of the Subcommittee, my name is Catherine Giordano. I am the CEO of Knowledge Information Solutions, located in Virginia Beach, Virginia, a value added network integrator with a full range of products and services to create, manage and secure networks. We are an 8(a), woman- owned firm. I am appearing today on behalf of Women Impacting Public Policy (WIPP), a national bi-partisan public policy organization representing well over a half million women and minorities in business including 45 associations that partner with us. Thank you for holding this hearing and for inviting me to testify.

I would like to spend some time this morning talking about my own experience with federal contracting and then touch on policies that affect all small businesses as they seek federal contracts. Let me say at the outset that while I have been very successful in the federal contracting arena, it has not come without its challenges.

In 2002, when I bought this business, its revenue was roughly \$9 million and almost all of it was commercial. I made a conscious decision to expand my business by making a major component of the revenue government business. Since that time, my business has grown 20% each year with 90% of the revenue attributable to government contracting.

One of the first steps we took was to get a GSA IT 70 schedule contract. We submitted our paperwork in October 2002 and were awarded the contract in December 2003. This year long delay cost KIS millions of dollars in lost revenue. We spent approximately \$50,000 to get on the IT 70 schedule, on internal and external resources. This is not just a problem specific to my company, many small businesses spend

significant dollars preparing the paperwork for getting on Schedule. KIS also holds an 8(a) STARS contract and is a subcontractor on the Alliant contract, which regrettably is under protest. I know Administrator Doan has made a big push to get contracts awarded 30 days after businesses submit their paperwork and I applaud that effort.

It is important to note that a small business must also maintain their Schedule contract. We have spent about \$20,000 for contract updates for each Multiple Award Schedule (MAS) we hold. On that note, the time and effort small businesses spend on implementing changes to their Schedule contract can be long and laborious—in some cases over a year.

KIS has found GSA Multiple Award Schedules redundant and overlapping in categories of information technology delivery services. Each Multiple Award Schedule holder, such as KIS, must bid for each contract opportunity under that Schedule which adds to the cost of bidding and proposal costs. In other words, if you are awarded an 8(a) STARS contract it only means you can bid on opportunities that are assigned to that contract—no business comes with the award. We estimate that we have spent \$850,000 on competitive bids on these Schedules. Needless to say, that is out of the reach of most small businesses.

On a positive note, the 8(a) STARS contract has been good for KIS. It is run by a professional team in Kansas City, Missouri that practices rapid response and skilled contract officers. My only regret is that it is not utilized as the preferred GSA Multiple Award Schedule for small businesses. Redundant GSA Schedules offering the same services and products force small businesses to participate in a number of Schedules

rather than just one. Redundancy is not exclusive to GSA— every agency has its own information technology and services contracts, for which we also compete.

Now, let me turn to some policy issues which affect small, women- owned companies. The most pressing issue is the SBA's proposed rule on the women's procurement program whose comment period ends on March 31, 2008. Public Law 106-554, passed in 2000, established a women's procurement program because federal agencies did not meet their 5% woman-owned contracting goal. In fact, the federal government has never met this goal – the highest number it has ever achieved is 3.4%.

The law charged the Small Business Administration (SBA) with the responsibility of conducting a study to determine which industries were underrepresented by women with respect to federal contracting. The SBA studied the data for seven long years only to publish on December 27, 2007 an unsatisfactory proposed rule --Women-Owned Small Business Federal Contract Assistance Procedures (72 FR 73285).

WIPP believes that the practical effect of this proposed rule, as currently structured, is that virtually no contracts will ever be successfully set aside under this program. The SBA chose the narrowest method of data analysis and identified only four NAICS codes that will be subject to restricted competition: cabinetmaking, engraving, other motor vehicle dealers, and national security and international affairs.

But there is another hurdle to clear before these limited four categories can be eligible for set asides. An agency must perform an internal audit of its past contracting actions to show that it is rectifying past discriminatory contracting practices before any contract can qualify for a set aside. By requiring this additional finding of past discriminatory practices by the agency, we believe this proposed rule sets forth a new

legal standard which will be damaging not only to this program but potentially every women business enterprise (WBE) program in the country. WIPP and its coalition partners are asking that the SBA withdraw its rule. In addition, many Members of the House and Senate have urged the SBA to withdraw the rule and we are grateful for their support.

There are other policies which affect the ability of women-owned businesses to do business with the government. Consolidated contracts (also known as bundled contracts) hurt small businesses. The OMB reported in 2002 that for every \$100 awarded on a bundled contract, there is a \$33 decrease to small businesses. Despite strong evidence that bundling is not good for small business or the government, a 2004 Government Accountability Office (GAO) Report No. 04-454 titled, "Impact of Strategy to Mitigate Effect of Contract Bundling on Small Business Is Uncertain," shows that federal agencies are confused over what constitutes "contract bundling" which results in poor accountability and disparity in reporting. We urge the Subcommittee to clear up the confusion for the agencies.

WIPP continues to believe that "if you list us, use us" is an important principle in subcontracting. Small businesses spend thousands of dollars in staff resources to be a part of the subcontracting plan on a prime contractor's bid. WIPP members tells us that all too often the prime contractor, after winning the contract, takes their portion of the work "inside" or simply reverts to using the same old subcontractors they have used in other bids. We believe prime contractors should utilize the small businesses they include in their subcontracting plans unless the small business could no longer meet the requirements. There should be penalties assessed for violating the subcontracting plans.

The federal government's ability to meet small business goals is far from impressive. According to the Small Business Administration (SBA), FY 2006 federal contracting numbers show that only seven of 24 federal agencies met the 23 percent small business goal. Additionally, only ten major agencies met the five percent women-owned contracting goal of five percent.

In conclusion, it is not impossible for small, women-owned businesses to be successful in federal contracting. But our success does not rest solely on the quality of our products and services – federal acquisition policy largely dictates if and when we will be successful. The Congress and the federal agencies must work together to ensure that the policies they enact and the paperwork they create do not shut out the ability of women-owned businesses to succeed in the federal marketplace.