

RECORD VERSION

STATEMENT BY

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BEFORE THE

**SUBCOMMITTEE ON CONTRACTING AND WORKFORCE
COMMITTEE ON SMALL BUSINESS**

ON

AUDIT REVEALS INCONSISTENCIES IN DEFENSE SUBCONTRACTING

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**NOT FOR PUBLICATION UNTIL RELEASED BY THE
COMMITTEE ON SMALL BUSINESS**

Chairman Knight, Ranking Member Murphy, distinguish Members of the House Small Business Committee on Contracting and Workforce. The Army is a staunch supporter of Small Business. Small Business is a “Readiness Enabler” in support of the Army’s mission and the industrial base. Small Business goals that support the Secretary of the Army’s priorities of Readiness, Modernization and Reform are; to ensure mission requirements in support of readiness and the industrial base through small business utilization; to increase innovation through Small Business Innovation Research and Small Technology Transfer Research Programs (SBIR/STTR) in support of the Army’s modernization priorities and to advocate for changes in policy to reduce barriers to entry for small businesses.

Across the last three fiscal years, Headquarters, Department of the Army, Office of Small Business Programs (HQDA OSBP) has led the Department of Defense (DoD) and federal government agencies in small business contracting —averaging \$18.7B per year. It is an achievement firmly based on our ability to connect with the small business community at its most basic level: listening and responding. Communication is essential to OSBP’s goals as directed by 15 U.S.C. 644 (k) to conduct outreach. Our mission is to be the premier advocacy organization committed to maximizing small business utilization in support mission requirements.

The Army’s priorities of readiness, modernization, and reform begin with supporting small businesses in each socioeconomic category. HQDA OSBP continues to focus on modernization and readiness, which is essential to efficiency, and reform. In coordination with the Deputy Assistant Secretary for Research and Technology (DASA R&T) and Army Commands (ACOM), OSBP is committed to educating small businesses and institutions about SBIR/STTR programs. In doing so, the SBIR/STTR program yielded over \$5.6M in awards for fiscal year 2017.

The ability to recognize opportunities for small businesses to do business with the Army begins with engagement. OSBP has instituted a multi-channel communication plan via traditional and social media focused on readiness, modernization, efficiency, Soldiers

and their families. Our focus is on more than what we buy; our focus is on connecting with the small business community at the highest level, providing clarity of the procurement process, and supporting contract execution.

Commitment to Small Business Utilization

A review of the statistics revealed that the Department of Defense (DoD) awarded \$59.4B in prime contract dollars to small business firms, during the period of October 1, 2016 through September 30, 2017. In FY 2017, DoD's total Small Business eligible dollars was \$264B. The three major services of the DoD (Air Force, Army, and Navy) accounted for \$208B, which is approximately 78% of DoD's total Small Business eligible dollars.

The Army awarded \$18.7B to Small Businesses during FY17. The prime small business goal was 26%, which the Army exceeded goal by achieving 28.74%. As it relates to each socioeconomic category, the Army accomplished the following: The small disadvantaged business goal was 11% with a reported achievement of 13.1%; service-disabled veteran-owned business goal was 3.5% with an achievement of 4.3%; the Historically Underutilized Business-Zone (HUBZone) goal was 3% —achieving 2.3% increasing outreach focus to identify more qualified HUBZone businesses; and women-owned small business goal was 4.8% with an achievement of 5.6%. On the whole, the Army met four of the five statutory goals for fiscal year 2017.

Senior Leader Involvement in Maximizing Small Business Participation

The Army's Senior Leadership is wholly committed to maximizing Small Business participation. During FY17, the Secretary of the Army championed the Army's Small Business program by providing guidance and direction to the field including small business participation in mission support. The inclusion of small business in the Army's acquisition plans for operational execution of mission requirements and contract support is vital. The Army Acquisition Executive (AAE) designated the deputy of each program

executive office or program manager as the small business point of contact to work with command small business specialist to identify opportunities... Additionally, the AAE chairs the acquisition systems review board, which includes the Director of OSBP, the Deputy Assistant Secretary of the Army (Procurement), the Heads of Contracting Activities, Army Principal Staff, and Senior Operational Commanders to ensure small business equities are appropriately considered.

The Army's Senior Commanders have demonstrated their commitment to the Small Business Program by instituting policies focused on achieved and newly assigned program goals. For example, the Commanding General of the Army Material Command requires his subordinate commanders to develop five objectives and performance measures for small businesses. These metrics support the commands' priorities of Strategic Readiness, Future Force, Soldiers, and People.

In FY17, the Commanding General of the US Army Corp of Engineers (USACE), encouraged his commanders to continue to maximize small business opportunities and to educate their colleagues on the impact and value of small firms for USACE and the nation.

As a result of the Army's senior leadership's commitment and involvement, over the last five years, the Army has sustained its small business performance excellence and established effective market research consistently. Due to this focus and commitment, the Army has continued to meet or exceed the DoD assigned goals for the fifth consecutive year—and finish as DoD's number one Small Business performer.

Small Business Outreach

In October 2017, OSPB held its fifth annual Small Business Seminar. The seminar was headlined by Army Senior Leadership. The Under Secretary of the Army and Army Chief Information Officer spoke to the importance of Small Business to the Army's mission and the industrial base. They shared the Army's vision on information management, cyber and the critical need for innovative companies to assist in filling

critical mission gaps. Furthermore, the Small Business Seminar and Matchmaking event focused on the following:

- Ensuring the small business community is up to date on new guidelines, processes, and regulations
- Offering the small business community the opportunity to network with federal agencies and DoD Primes and other government organizations

Similarly, The United States Army Corps of Engineers (USACE) partnered with the Colorado Procurement Technical Assistance Center (PTAC) for a Virtual Industry Day. This event offered an alternative to the traditional brick and mortar format. The Virtual Industry Day provided an overview of three specific acquisitions for base operations services—including ground maintenance, custodial services and waste removal at multiple sites throughout the United States Army Reserve 88th Regional Support Command. These services will cover 19 states.

The event—including all presentations—was broadcast live to 32 participating PTACs. The Virtual Industry Day had 225 attendees: 97% were small businesses, and 3% were large businesses.

Over 2500 attendees from a dozen federal agencies—including large and small businesses—convened at the Army Corps of Engineers at The Society of American Military Engineers (SAME) Small Business Conference. The SAME Small Business Conference gathers industry leaders from many professions like engineering, construction, architecture—along with federal agencies, and the Department of Defense to showcase best practices, share effective strategies and network around small business opportunities. These events demonstrated the Army's commitment to educating and informing the Small Business community about the numerous opportunities the Army makes available for them each year.

Conclusion

On behalf of the Secretary of the Army, I thank the Committee for your support of small business, which is a “Readiness Enabler” in support of the Army. I sincerely appreciate your steadfast and strong support of the outstanding men and women in uniform, our Army Civilians, and their Families.