

Business

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MARK ARONOFF / The Press Democrat

Production supervisor Justin Chavez loads adhesive into a syringe for packaging and shipping at Reltek LLC in Santa Rosa on Monday. Reltek has about seven employees and gets 30 percent of its business as a subcontractor on federal contracts.

Petaluma man spurs SBA overhaul

Discovery that large companies win many federal contracts leads to changes

By MARY FRICKER
THE PRESS DEMOCRAT

Complaints by a Petaluma businessman that federal contracts intended for small companies are going instead to giant corporations are triggering changes in how federal contracts are disbursed.

Public comment is due today on the U.S. Small Business Administration's proposal to require companies to recertify their size every year — a new way designed to quickly identify large companies before they win contracts intended for small businesses.

Also, the SBA is cleaning up its online database of small businesses, which until recently contained the names of hundreds of major corporations such as



Lloyd Chapman

Tyco International, Nike Inc. and AT&T. Sonoma County has 205 companies on the SBA's list. None of the area's well-known large companies is among them.

"This time next year there will be more federal contracting opportunities for small businesses because of what we're doing," said Lloyd Chapman, president of the Microcomputer Industry Suppliers Association, a Petaluma-based trade association

he said has about 1,000 members.

Still, much more needs to be done, critics said, especially in oversight and enforcement.

Congress has instructed federal agencies to try to award 23 percent of their contracts to small business-

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AT A GLANCE

The issue: Government contracts intended for small companies sometimes go to large businesses.

Proposed remedies: Require companies to recertify their size each year; Small Business Administration must maintain an up-to-date database of small companies.

SBA: Government databases often inaccurate

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es, and they claim to meet that goal. The definition of a small business varies by industry, but one common guideline is a maximum of \$5 million in annual revenue for a service company and 500 employees for a manufacturer.

But a recent General Accounting Office investigation spurred by Chapman's complaints found the estimate of 23 percent is greatly exaggerated — mainly because the SBA let companies keep small-business contracts 20 years, no matter how big the companies got, and because many government databases have inaccurate information about company size.

Several U.S. legislators, including Sen. Barbara Boxer, D-Calif., and Sen. John Kerry, D-Mass., have called for further investigation. Early this month Kerry wrote Attorney General John Ashcroft and the SBA to investigate reports that large companies were falsely identifying themselves as small businesses to get federal contracts.

SBA spokeswoman Sue Hensley said her agency is committed to improving small-business participation, but funding shortfalls force the agency to rely on accurate self-reporting by businesses and careful review by agencies assigning the contracts.

The issue is especially important during this time of economic stagnation, Kerry said — a comment echoed by Robert Lindberg, president of Reltek LLC, a small Santa Rosa company with about seven employees that gets 30 percent of its business as a subcontractor on federal contracts.

"Small business is always what restarts the economy," Lindberg said.

Reltek makes adhesives, coatings and sealants that can withstand harsh conditions. Its

products are used by such companies as General Dynamics, Raytheon and Northrop Grumman for protecting such products as trans-Atlantic cable and sonar systems. It had \$250,000 in sales last year.

Lindberg said federal contracts fund research and development that small companies wouldn't otherwise be able to afford. Also, "These programs are typically multiyear, so now we have built in some steady sales with steady, consistent recorders. That builds your sustainability," Lindberg said.

If a large company misrepresents its size to get contracts, it faces penalties of up to \$500,000 in fines, 10 years in prison and ejection from the federal contracting program. But prosecution is rare because it is hard to prove intent, officials said.

Even though the GAO found thousands of large companies got small-business contracts in 2001, and even though the SBA has purged about 600 big businesses from its small-business database of 200,000 companies in the past six months, the agency has referred only three companies for further investigation and possible prosecution, according to Hensley.

Chapman's complaints, which triggered the GAO investigation and a related congressional hearing in May, started last year when GC Micro Corp.

ONLINE

The U.S. Small Business Administration online database of small businesses is at pro-net.sba.gov. The Microcomputer Industry Suppliers Association, a Petaluma trade association that triggered a federal investigation into how many federal contracts go to small businesses, is at www.misa.us.

in Petaluma lost a small-business contract to a major corporation. Chapman is general manager of the company, which has about 30 employees and supplies computer systems to government agencies and businesses.

"I was shocked, and one night after work I started doing research on the Internet," said Chapman, 53. He visited the SBA database of small companies and quickly spotted some giant corporations on the list.

"I started calling people in Washington to see who cared about that," Chapman said.

A GAO investigation found that 5,341 of the 49,366 companies that got small-business contracts in 2001 were large. They received \$13.8 billion intended for small businesses.

Library researcher Michele Van Hoeck contributed to this report. You can reach Staff Writer Mary Fricker at 521-5241 or mfricker@pressdemocrat.com.