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United States Senate

COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

October 17, 2000

The Honorable Daniel Goldin
Administrator
National Aeronautics and Space Administration
300 E Street SW
Washington, DC 20546

Dear Administrator Goldin:

Thank you for your agency's timely response to my July 24 letter concerning implementation of the HUBZone program at the National Aeronautics and Space Administration (NASA). A copy of this response is attached for your convenient reference. I appreciate NASA's frank and honest response.

However, I am very troubled by NASA's apparent neglect of this program. The HUBZone program is a key part of the effort to move families from welfare to work and to revitalize communities that have not been able to participate in our current booming economy. These distressed areas tend to be low-traffic areas that do not have a reliable customer base to support business development. As a result, business has been reluctant to move into these areas. It simply has not been profitable, without a customer base to keep them operating.

The HUBZone Act seeks to overcome this problem by making it possible for the Federal government to become a customer for small businesses that locate in HUBZones. While a small business works to establish its regular customer base, a Federal contract can help it stabilize its revenues and remain profitable. This gives small business a chance to get a foothold, and provides jobs to these areas. New business and new jobs mean new life and new hope for these communities.

NASA contracted for over \$11 billion in goods and services in Fiscal 1999. Only the Departments of Defense and Energy spent more contracting dollars than NASA. Although much of NASA's giant purchasing requirements necessarily will involve small businesses at the subcontract level rather than at the prime contract level, NASA is vitally important in ensuring successful procurement participation by small business.

Thus, I am greatly concerned to read that NASA has apparently done little or nothing to train contracting personnel on HUBZone requirements. NASA's response notes that NASA provides three training courses for procurement staff. The letter states that the subject matter in the intermediate-level subcontracting module and in the senior-level "new initiatives" course varies, depending on the speakers. I understand this to mean you do not have consistent or standardized seminar objectives for contracting officers to learn. Moreover, despite my express request, NASA provided no copies of any seminar materials showing that any seminars had

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provided HUBZone program training. Finally, NASA states that "the Office of Procurement has not conducted a specific HUBZone seminar." I conclude from these statements that NASA's training of contracting personnel in the HUBZone program is a complete failure.

Further, it appears that NASA's failure to train contracting officers extends beyond the HUBZone program. Earlier this year, I contacted your office of legislative affairs for a status report and update concerning Ms. Olga Martinez, a NASA contractor in southern California. Ms. Martinez had been improperly awarded a contract due to a failure of NASA's procurement staff to apply the proper Small Disadvantaged Business program requirements. As NASA's response clearly states (copy attached), Ms. Martinez should not have received the benefit of the SDB price evaluation preference, which was not available to construction firms in California. This improper award and subsequent termination of the contract undoubtedly caused Ms. Martinez much grief and expense, as she had begun to sign subcontracts to perform the NASA contract erroneously awarded to her. Despite this clear failure on the part of NASA contracting staff, NASA's response indicates no corrective action taken to train its procurement staff on SDB program requirements.

Finally, I note that in NASA's response to my HUBZone program inquiry, NASA all but admits abject failure in carrying out that program. Instead of demonstrating that NASA is aggressively seeking out potential HUBZone contractors, and monitoring upcoming procurements for possible HUBZone set-asides or sole-source opportunities, the letter indicates NASA made absolutely no HUBZone set-asides in Fiscal 2000. None whatsoever! The letter does note that NASA awarded twelve contracts to HUBZone firms, but I understand that statement to mean that contracts were awarded to firms that incidentally happened to be HUBZone firms--not that the HUBZone program benefits were effectively deployed to bring about this result. Finally, the letter lists a series of excuses for NASA's failure: in particular, the impact of acquisition streamlining efforts such as Government-wide acquisition contracts (GWACs), Federal Supply Schedules, purchasing card procurements, and so forth.

Let me be clear. The HUBZone Act is the law. It was passed unanimously in both the Senate and the House, and signed into law by President Clinton on December 2, 1997. NASA is expressly listed in the law as a covered agency. I expect NASA to comply. Excuses for noncompliance are unacceptable and will not be tolerated.

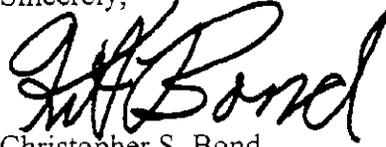
Accordingly, I expect NASA to begin at once to organize a systematic training program for contracting officers. It should have consistent standardized objectives, and should cover all small business programs. The training program should also track attendance by procurement staff, and ensure that non-attendees receive follow-up training. Please respond to this letter not later than November 15, 2000, with your corrective action plan to begin designing and implementing such a systematic training program. Thereafter, please report not later than the 15th day of each month on your implementation of this corrective action plan. I expect NASA to

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have trained its entire contracting staff in HUBZone program requirements, as well as other small business program requirements, by the end of Fiscal 2001 (or not later than September 30, 2001).

If you have questions about this letter, please contact Cordell Smith of the Senate Small Business Committee majority staff on (202)224-5175.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond". The signature is written in a cursive, somewhat stylized font.

Christopher S. Bond
Chairman, Committee on Small Business
Chairman, VA-HUD Appropriations
Subcommittee

CSB:ces

National Aeronautics and
Space Administration
Headquarters
Washington, DC 20546-0001



Reply to Attn of: L:EJ:leg:L/2000-00612f

AUG 24 2000

The Honorable Christopher S. Bond
Chairman
Committee on Small Business
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Thank you for your inquiry dated July 24, 2000 regarding implementation of the HUBZone program. Enclosed please find answers to your questions.

If you have any further questions, please contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward Heffernan", with a long horizontal line extending to the right.

Edward Heffernan
Associate Administrator
for Legislative Affairs

Enclosure

HUBZone Implementation Questions and Answers

1. What office is responsible for training contracting officers in carrying out small business programs—and particularly the HUBZone program—at your agency?

The NASA Headquarters Office of Procurement is responsible for the formal training program of NASA procurement personnel.

2. What was that office's budget in Fiscal 1999, and what is its budget in fiscal 2000, for training contracting officers? How much of the Fiscal 1999 training budget was actually spent on training?

The FY99 Budget included \$525K for instructors and \$570K for travel. Actual expenditures were approximately \$325 K for instructors and \$450 K for travel.

The FY00 Budget includes \$265.2K for instructors and \$245.5K for travel. We anticipate that we will spend approximately 90% of the instructor budget and 95% of the travel budget.

3. Has that office conducted training seminars for contracting officers in Fiscal 1999 or Fiscal 2000? If so, how intensive was the seminar, and how much time was spent on small business programs? Did you hold a session dealing specifically with the HUBZone program? Please attach a copy of the seminar agenda. Did all contracting officers attend, and if not, what follow-up training was done to educate those unable to attend?

Small business training is provided as a module in NASA's mandatory entry, intermediate, and senior level procurement training courses. The entry-level course contains a three-hour module. The intermediate level course contains a module on subcontract plans, and the time spent on the subject varies based on presentation of the course material and Q&A. The senior level course uses guest speakers who are considered small business experts to address any new initiatives. Presentation time again depends on the speaker and the Q&A's. The Office of Procurement has not conducted a specific HUBZone seminar.

4. In Fiscal 1999 or Fiscal 2000, has your agency's Office of Small and Disadvantaged Business Utilization (OSDBU) conducted training seminars to train contracting officers in understanding HUBZone program requirements? If your OSDBU is the office responsible for training in your response to question [1], skip to question [7].

In FY00, training for contracting officials was provided by the OSDBU through presentations to contracting officials during segments of NASA's Acquisition Career Development Program training.

5. *What was your agency's budget for OSDBU in Fiscal 1999, and what is it in Fiscal 2000?*

The OSDBU budget for FY99 was \$750K. The OSDBU budget for FY00 is \$791K.

6. *What was your agency OSDBU's budget for conducting training seminars in Fiscal 1999? What is it in Fiscal 2000? How much of those amounts was devoted to training contracting officers in particular?*

The allocation for training in FY99 was \$276K. The allocation for training in FY00 is \$249K. Of these amounts, approximately \$52K per FY were devoted to training contracting officials.

7. *What process does your agency follow to ensure that OSDBU has the opportunity to review upcoming contracting opportunities for possible HUBZone firm participation?*

NASA utilizes acquisition-streamlining initiatives including, but not limited to, electronic commerce, government-wide area contracts, consolidated contract initiatives, federal supply schedules, government purchase card, and midrange procurements. These initiatives have had a significant impact upon HUBZone firms' participation. At the NASA field installations, the small business specialist and the SBA procurement center representative have the opportunity to review contracting opportunities in excess of \$100,00 that could be set aside for HUBZONE program participants. This effort has resulted in the following.

In FY99, NASA identified one HUBZone set-aside, resulting in the award of one such contract for a total dollar amount of \$333,000. In FY00, NASA identified zero HUBZone set-asides. However, in FY00, NASA awarded twelve contracts to qualified HUBZone contractors, resulting in a total contract dollar amount of \$1,379,009.00.

8. *Who is your agency's immediate supervisor for OSDBU? Does OSDBU report to different supervisors for different purposes? If so, please identify all the OSDBU supervisors and the OSDBU functions overseen by each supervisor.*

NASA's OSDBU is a separate organization, outside of procurement, which is headed by a member of the Senior Executive Service who reports directly to the NASA Administrator.