STATEMENT OF
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OFFICE OF GOVERNMENT CONTRACTING AND BUSINESS DEVELOPMENT
MATTER OF CONTRACTS ISSUED TO SHIRLINGTON LIMOUSINE AND TRANSPORTATION
JUNE 15, 2006

Good Morning Chairman Rogers, Ranking Member Thompson and members of the Committee. I am Calvin Jenkins, the Deputy Associate Deputy Administrator for the Small Business Administration's Office of Government Contracting and Business Development. I thank you for extending to our Agency the opportunity to discuss the matter now before you, the award of certain Federal contracts to Shirlington Limousine and Transportation, Incorporated (Shirlington Limousine).

In addition to the testimony I am about to offer, I have supplied members of the committee with a hard-copy timeline. This timeline will facilitate an understanding of the sequence of events with regard to Shirlington Limousine's participation in the SBA's HUBZone Program.

HUBZone Program

First, let me establish a general understanding of the Historically Underutilized Business Zone (HUBZone) Program. Following that, I will go into the particular set of circumstances relating to Shirlington Limousine.

The objective of the HUBZone Program is to create employment opportunities and stimulate capital investment in economically distressed neighborhoods, or HUBZones, through the award of Federal contracts. Firms applying for HUBZone certification must meet four basic eligibility criteria.

To be eligible for the program, a concern must meet the following criteria:

- It must be a small business by SBA standards;
- It must be owned and controlled (at least 51 percent) by U.S. citizens, or a Community Development Corporation, or an agricultural cooperative or an Indian tribe; or an Alaskan Native Corporation.

- Its principal office must be located within a "Historically Underutilized Business Zone," which includes lands considered 'Indian Country' and military facilities closed by the Base Realignment and Closure Act; and
- At least 35 percent of its employees must reside in a HUBZone.

Public Law 105-135, the HUBZone Act of 1997, does not require review relating to the character of the principals or financial history of the applicant concern.

Once the SBA certifies a firm as a qualified HUBZone, SBA adds the company to the list that appears on the HUBZone web site and, within this same timeframe, activates an indicator signifying HUBZone status in the firm's electronic profile appearing in the Central Contractor Registration system, known as CCR, which is used by all Federal agencies.

This notice of certification is made available to all interested parties, including contracting officers, via the Internet using both our HUBZone web site and CCR. A few brief keystrokes can ascertain within a minute whether a firm is indeed HUBZone certified.

Once this task of certifying the concern is achieved, the role of the SBA, as it relates to the small business, is largely reserved for three additional functions, which are: (1) resolving contract protests and appeals; (2) ensuring continuing eligibility through recertification; and (3) conducting compliance reviews through program examinations.

1) **HUBZone Status Protests and Appeals:** The SBA adjudicates whenever the status of a HUBZone certified concern is challenged in conjunction with a contract award.

2) **Recertification:** HUBZone certified small business concerns are required to recertify to the SBA their continuing eligibility once every three years in order to participate in the HUBZone Program. An online form is provided that electronically compares the latest company data against any data previously supplied in connection with program participation.

3) **Program Examination:** The program examination is a full-scale compliance audit that requires a HUBZone certified concern to verify to the SBA its

continuing eligibility through an online submission that is supplemented by the collection of hard-copy documentation. A program examination can be purely random or prompted as a result of a specific set of conditions that come to our attention.

The SBA's HUBZone Program determines only whether an applicant concern meets the four HUBZone eligibility criteria, not whether a firm is capable to perform a contract.

Shirlington Limousine Contract

With regard to Shirlington Limousine, the firm submitted an online application for HUBZone status on March 10, 2004. Consistent with Agency standards, SBA determined, based on that application, that the firm did meet the four eligibility criteria. Part of this review included a site visit by HUBZone staff to the firm's principal office at 425 8th Street, NW in the District of Columbia, to ensure and confirm that it was a fully functioning business location. The firm received its certification on April 8, 2004.

According to a recently updated record in the Federal Procurement Data System, the U.S. Department of Homeland Security (DHS) posted an announcement on April 14, 2004, in the online FEDBIZOPPS alerting the contract community to the need for a HUBZone vendor to provide transportation services. The next day, April 15, 2004, the actual solicitation was posted as a HUBZone set-aside with a response date of April 19, 2004. The contract was signed on April 27, 2004, with the successful HUBZone offeror identified as Shirlington Limousine.

No one protested the HUBZone status of Shirlington Limousine for that contract. As such, there was no reason for the SBA to be involved.

The SBA did become involved in a subsequent HUBZone status protest that involved a DHS contract signed on October 27, 2005, and identified in the Federal Procurement Data System as a HUBZone set-aside. In this particular instance, two elements of

Shirlington Limousine's HUBZone status were questioned and reviewed – compliance with principal office and 35 percent HUBZone residency requirements.

On December 23, 2005, the SBA denied the protest, finding that the evidence supplied in the case record supported Shirlington Limousine's assertion that it did meet the HUBZone principal office and 35 percent residency requirements.

This SBA decision was appealed. As Acting Associate Deputy Administrator for Government Contracting and Business Development, I denied the appeal on January 13, 2006, concluding that there was no error in processing the protest and the SBA did not fail to consider any significant facts.

The second, and most recent, action regarding Shirlington Limousine's HUBZone status is a HUBZone program examination. This was prompted by a change in Shirlington Limousine's CCR profile that indicated they may have exceeded the size standard to be considered a small business concern. The profile reflected changes that were made on April 27, 2006, and which came to the attention of our Agency on April 28, 2006. The program examination was assigned to our SBA Washington, DC district office on May 1, 2006, and Shirlington Limousine was notified of its need to respond to the audit on May 4, 2006. The firm completed its submission to the SBA on June 8, 2006, and the Agency review of that response is ongoing.

Summary

With regard to the Shirlington Limousine and any other HUBZone contract, the SBA's HUBZone office role is to verify that the small business meets any or all of the four HUBZone eligibility criteria protested. With regard to the DHS contract signed on October 27, 2005, the SBA fulfilled its obligations to act on a protest to review the eligibility of a HUBZone program participant. Thank you for this opportunity to testify. I will be happy to answer any questions you may have.