

**HOLD UNTIL RELEASED BY
THE COMMITTEE ON
OVERSIGHT AND
GOVERNMENT REFORM**

TESTIMONY OF

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DEPARTMENT OF DEFENSE

OFFICE OF SMALL BUSINESS PROGRAMS

BEFORE THE UNITED STATES HOUSE

**SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,
INTERGOVERNMENTAL RELATIONS AND PROCUREMENT REFORM**

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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Introduction

Chairman Lankford, Ranking member Connolly and other members of the panel, thank you for the opportunity to speak with you today to discuss the Department of Defense (DoD) service-disabled veteran-owned small business (SDVOSB) contracting program. My name is Andre Gudger and I am the Director of the Office of Small Business Programs of the Department of Defense (DoD OSBP). I report to the Under Secretary of Defense for Acquisition, Technology and Logistics, the principal staff element of the Office of the Secretary of Defense for all matters relating to DoD acquisition and small business. Today I will discuss our initiatives in providing maximum practicable opportunities in our contracting programs for our SDVOSB's and highlight a few success stories.

Role of the DoD Small Business Office

The role of the Office of Small Business Programs is to advise the Secretary of Defense on all matters related to small business. This includes policy, oversight, and statutory and regulatory requirements. The Small Business Act provides for government-wide goals and that each Federal agency shall have an annual goal for small business prime contracting. The Act also provides for government-wide and agency goals for Historically Underutilized Business Zone (HUBZone) small businesses and for businesses owned by socially and economically disadvantaged individuals, service-disabled veteran-owned, and women-owned small businesses. In addition, we have assigned subcontracting goals for these same categories. Each of these goals is assigned by or negotiated with the U.S. Small Business Administration (SBA).

Our role includes ensuring small businesses are considered at every step of the Department's acquisition process. OSBP works hard to advocate for small business inclusion within the defense acquisition process and to create awareness of the important role small

businesses play in our Nation's economy, the strength of our industrial base, and protecting our troops. On August 24, 2011, in support of the President's small business initiative, Secretary of Defense, Leon Panetta, in one of his first actions as Secretary, issued a memorandum to the acquisition workforce on the importance of DoD achieving its small business goals. Other senior Department of Defense officials sent similar letters highlighting DoD's commitment to supporting small businesses; the volume of small business communication from such senior officials was unprecedented.

DoD Contracting with SDVOSB

The Veterans Benefit Act of 2003 established the procurement program for small businesses owned and controlled by service-disabled veterans. The law was implemented in the Federal Acquisition Regulation on May 5, 2004.

Over the past nine fiscal years, FY2003 through FY2011, DoD has increased its prime contract awards to SDVOSBs from \$0.3 billion to \$5.9 billion and its SDVOSB award percentages from 0.2 to 2.0. While these trends are encouraging, we will not relax our efforts until we achieve the Government-wide goal of 3 percent. Our yearly increase in prime contracting dollars was most evident in FY2011, when SDVOSB prime contracting increased by \$0.6 billion over FY2010. Additionally, while we did not reach the 3 percent goal as a Department in 2011, six of 24 components have done so. These include the Business Transformation Agency, Defense Media Activity, Defense Security Cooperation Agency, Department of the Army, TRICARE Management Activity, and Washington Headquarters Services. Twenty-one of 47 major commands have met or exceeded the 3 percent goal.

The Department is committed to supporting the SDVOSB portion of our industrial base and believes that SDVOSB participation in defense acquisitions can deliver better value to the taxpayer and warfighter. We believe that our veterans have unique skills that allow them to develop capabilities that meet the Department's requirements and urgent needs.

Outreach

OSBP has engaged in an unprecedented outreach effort to SDVOSBs around the country. DoD small business professionals in the DoD components and my staff have attended and continue to attend many SDVOSB conferences, generating awareness of our support and providing information on available DoD contracting opportunities for SDVOSBs. Since I became the Director of OSBP, I have attended several conferences in support of veteran owned businesses including the National Veterans Conference and Small Business Expo in New Orleans, the Vet Institute for Procurement in Potomac, Maryland, and the MacDill SDVOSB/VOSB Small Business Conference in Tampa. I will continue this level of engagement this fiscal year and will encourage the small business workforce to do the same. This year I plan to attend the Veterans in Business Conference in Fairfax, Virginia, and the National Veterans Conference in Reno, Nevada. We will also continue our dialogue with industry groups such as the Task Force for Veteran's Entrepreneurship and the National Veteran Small Business Coalition to ensure we understand the issues that are most important to our veteran owned businesses.

Accelerated Payments

Outreach is only one part of several OSBP initiatives. In FY 2011, DoD made a change to the Defense Federal Acquisition Regulation Supplement that allowed us to implement

accelerated payments to small businesses. With this change, DoD is able to pay small businesses, including SDVOSBs, one-third faster than they would otherwise get paid. We believe this will enhance their ability to hire new workers, expand their capabilities, and look for ways to participate in new contracting opportunities.

Studies

Our office has commissioned several studies to identify ways to help small businesses, including new entrants, do business with the Department. One of the first such studies I initiated as the OSBP Director was an investigation of barriers to entry for SDVOSBs. This study will outline progress towards meeting SDVOSB prime contracting goals for DoD. It will also identify any barriers SDVOSBs face in winning contract awards and recommend ways to reduce these barriers. We have also initiated a study to identify best practices in market research so that we can identify the most capable businesses and create more competition within the DoD procurement process. We believe these initiatives will lead to an increase in contracting with DoD for SDVOSBs.

Accountability

Another important OSBP initiative is to make prime contractors more accountable by focusing on their inclusion of small businesses in subcontracting. We have done this in two important ways. First, DoD currently uses proposed small business subcontracting utilization as an evaluation factor in selecting prime contractors. Thus, if all things are equal between offerors, small business performance could be a deciding factor in who gets the award. Secondly, small business utilization is looked at in past performance. Prime contractors that meet their small

business subcontracting obligations get higher performance evaluations; past performance affects future competitions.

OSBP is also determining how best to assess the Departments' and agencies' achievements in subcontracting. We realize that our electronic subcontracting reporting system must be made more accurate and we are working hard to eliminate the identified issues.

Also beginning in FY2012, DoD will include small business contracting goals in the performance evaluations of all senior executive staff members who oversee the acquisition workforce. Senior DoD leaders who focus on small business development will be rewarded in that part of their performance review. This reinforces and strengthens the Departments commitment to small businesses from the top, down to each of our buying activities. All of these initiatives benefit our SDVOSBs.

Market Research

DoD is leading the way within the Federal Government on new market research techniques. DoD's Small Business Maximum Practicable Opportunity Analysis shows potential small business opportunities for specific supplies and services, and identifies specific contracts that could potentially be satisfied by small businesses. Thus, if one DoD component had a small business performance of 10% in a certain North American Industry Classification System code, that component could easily compare its performance to the performance of other DoD components and find specific areas for improvement on small business participation. This initiative ties with a memorandum issued by the Director of OSBP jointly with the Director, Defense Procurement and Acquisition Policy, encouraging contracting officers to utilize market research to identify opportunities for small businesses. More effective market research by our

acquisition workforce will create more opportunities for our SDVOSBs and will further support the alignment of their capabilities with the Department's needs.

DoD small business professionals are working to ensure that small businesses are considered at every step of the acquisition process instead of just at the end. As part of the peer review initiative, our office participates in all planned acquisitions above \$1 billion with the objective of ensuring that small business opportunities have been considered. Military Department and Defense agency small business directors similarly review all planned acquisitions above \$500 million. In addition, Military Department and Defense agency small business directors have been authorized to review all planned strategic sourcing actions for small business opportunities. We believe that when small business is considered at the beginning of the acquisition process and our small business workforce is more engaged, our SDVOSB participation in defense acquisitions will continue to increase.

Collaboration on Veteran's Issues

OSBP is also involved in broader veterans' issues through interagency collaboration. DoD, through OSBP, is currently represented on the SBA-led Inter-Agency Task Force on Veterans Small Business Development and is co-leading the Entrepreneurship Sub-Working Group on the Interagency Task Force on Veterans Employment. Both of these task forces are looking at ways to transition our highly skilled and well-trained veterans. This work has become urgent with the return of troops from Iraq and Afghanistan. Through these two initiatives, OSBP is able to connect the dots between its efforts to support our veterans and the efforts of other Federal agencies.

Success Stories

I would like to highlight a few success stories that illustrate the work DoD components are doing to improve SDVOSB performance.

- Defense Logistics Agency (DLA) conducted a review of National Stock Numbers (NSNs) to identify NSNs that might be appropriate for SDVOSB set-asides.
 - DLA Aviation—targeted over 2,000 NSNs for FY2011.
 - DLA Land & Maritime—targeted 1,500 NSNs for FY2011; another 1,400 are targeted in FY2012.
- Defense Security Cooperation Agency estimates that over 26 percent of their contract awards went to SDVOSBs (although the 2011 figures are not yet final).
- Department of the Army awarded more than \$3.16 billion to SDVOSBs in 2011 and will undoubtedly exceed the 3 percent federal-wide goal.

Conclusion

I would like to thank this panel for inviting me to testify today. Our veterans hold a special place in all of our hearts, and DoD is committed to ensuring contracting opportunities for SDVOSBs and veteran owned companies. I believe that through OSBP's initiatives we are moving in the right direction and will strive to continue increasing our prime contracting awards to SDVOSBs even when we meet and exceed our 3 percent goal. I look forward to answering any questions you may have.



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Mr. Andre J. Gudger was appointed as the Director of the Office of Small Business Programs in March 2011. Mr. Gudger serves as the principal advisor to the Secretary of Defense on small business matters.

Mr. Gudger's career spans more than 15 years in the defense, intelligence, and investment banking industries. Previously, Mr. Gudger worked on key technical and financial initiatives with the Federal Deposit Insurance Corporation, Union Bank of Switzerland, and AT&T.



From 2003-2009, Mr. Gudger served as Chairman and Chief Executive Officer of Solvern Innovations, a corporate entity which provided acquisition support and cyber solutions through training, research, and innovation. During this period, Solvern Innovations provided software development and commercialization through technology transfer to the Human Computer Interaction Lab at the University of Maryland College Park. In 2009, Solvern Innovations was acquired by TeleCommunication Systems where Mr. Gudger served as the Senior Vice President of the Cyber Intelligence division.

Mr. Gudger currently serves on several boards throughout the region, including the University of Maryland Baltimore County, the Maryland BRAC Small & Minority Business Advisory Board, and the Cyber Advisory Council.

Mr. Gudger received his Bachelor of Science degree from the University of Maryland at Baltimore County. He received his Master in Business Administration from the University of North Carolina at Chapel Hill, where he had the opportunity to study at the Chinese University of Hong Kong, Erasmus University in Rotterdam, Tec de Monterrey in Mexico, Fundacao Vargus University in Brazil, and Gdansk University in Poland.