

**TESTIMONY OF  
Mr. Mark N. Klett  
President and CEO Klett Consulting Group, INC  
Small Business Contracting and Technology Subcommittee  
Thursday, March 12, 2008**

Chairman Nye, Congressman Schock, distinguished members of the Committee, it is an honor for me to speak on behalf of veteran business owners about doing business with the federal government to ensure small and veteran owned businesses secure contracts awarded under the American Recovery and Reinvestment Act.

I am a small business owner, and a disabled veteran who proudly served my country in the U.S. Navy for over 20 Years as a Surface Warfare Officer – I attended the same fine education institution on the Severn River, not far from here, as one of the distinguished committee members – ADM Joe Sestak.

After serving my Country and working for three large Defense Contractors – I found that my entrepreneurial passion could only be satisfied by going out on my own. With the unwavering support of my family, I established Klett Consulting Group in August of 2002. Since then my company has created over 30 jobs, purchased an office facility in my hometown, and increased revenues at a rate of over eighty percent a year totaling over \$3.8 million in 2008.

Klett Consulting Group is an Operational, System Engineering Firm headquartered out of Virginia Beach, Virginia. We provide government-industry teams with technical solutions, program management, and operational expertise. We have written the Open Architecture Implementation Strategy for the US Navy, supported the development of the combat systems integration for the CVN-21 Program, and supported the concept development and system architecture for the new Navy Command and Control Capability – The Maritime Operations Center. We deliver these projects with an efficient team of operational system engineers who understand customer's missions and requirements. We don't predict the future – we create it.

My company has three prime contracts. The first with the US Army Reserve supporting the management of Army Reserve facilities in four states (Arkansas, Texas, Oklahoma, and New Mexico). Another contract with the Navy Surface Warfare Center at Crane, Indiana, provides testing and evaluation support to identify and rapidly field new required operational capabilities. The third contract supports an economic development initiative in Hampton Roads for Unmanned Systems. In addition, we are subcontractors for eleven other projects, supporting a myriad of Federal initiatives including strategic support of the Pacific Missile Range in Kauai, and technical support of USAID in over 40 countries through a non-profit organization.

I have been asked to address how small businesses and veteran-owned businesses can secure contracts awarded under the American Recovery and Reinvestment Act. Let me answer that question by focusing on the key advantages of small business, our agility and

ability to quickly create jobs. In addition to these key advantages, I will explain the most efficient manner to get stimulus money in the hands of small businesses today. Funding today means jobs today.

Small businesses are extremely agile. Our corporate structures allow rapid decision-making. In fact, you only need to speak to me, the small business owner, for approval. For example, we won a multi-year contract in five days from awareness to award putting new employees to work in less than forty-five days. Another example of small business agility is our recent teaming with government and traditional defense contractors to implement a critical United States Marine Corps pre-deployment training program, taking only forty-eight hours to initiate, and delivering training personnel on site within four days. This fulfilled a critical warfighter training need to support overseas operations.

In addition to delivering for our customers, our agility also allows us to rapidly create new jobs. Klett Consulting Group has grown 35 fold in seven years. I am proud to mention that my company has over 200 years of veteran expertise within our workforce. Job creation is one of the most critical elements of the economic stimulus. If funding were available for a contract tomorrow, Klett Consulting Group could hire personnel by next week. Small businesses do not typically have personnel in the wings to support new business. Contract funding equals new jobs, immediately. I hired a new engineer for our Crane contract in three days.

However, Klett Consulting Group faces challenges in creating those jobs. The reality of the day is that government funds allocated for small business products and services through large company procurements realize less than 60 cents for every contract dollar spent due to pass-through and Prime Contractor fees. On the other hand, prime contracts for proven small businesses realize 100 percent return on investment due to efficient cost controls yielding lower costs for quality products. Most new contracts over one million dollars can take up to one year to go through the award process. My company has personally experienced this process taking over 5 months to award a \$25,000 contract, and over a year for a large multi-year contract.

I want to focus on how Congress can leverage small businesses to deliver economic stimulus. In the 1990's small businesses were responsible for much of the economic growth in the United States.<sup>1</sup> Today, the transparent federal stimulus spending that is intended for small businesses needs to get to those businesses by the most efficient means possible to rapidly deliver the desired economic impact within the next three months. As I mentioned earlier, my company can hire in days, not weeks or months. That is real and immediate economic impact.

Now how can Congress help me and other small businesses help the country?

1. For proven and performing small and veteran businesses, leverage existing prime contracts; allow the ceiling dollar values to be raised on existing contracts; and permit adjustment of existing contract periods of performance and scope of work.

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<sup>1</sup> (Velazquez, 2009)

- These changes are the fastest means to deliver funds to the **small business job creation engine**. Creating new procurement vehicles, while a longer-term solution, will not result in the economic stimulus needed today. Get the stimulus to small and veteran owned businesses, and you will see results.
2. However, the federal procurement process will not be able to execute the volume of stimulus funding without assistance. Government acquisition processes need to be streamlined to ensure that the stimulus funding delivers positive economic impact. The federal acquisition workforce needs to be **increased immediately** with ready-up rounds of contracting officers to meet the procurement demands of this stimulus package.

Why do you want to optimize small veteran owned business within the American Recovery and Reinvestment Act?

Small businesses, are lean, agile, responsive, and efficiently operate with low overhead costs. When a client calls or an opportunity presents itself – we take decisive action within minutes. Executive Order 13360 of 20 October 2004 established a goal of not less than three percent participation of Service Disabled Veteran Owned Small Business (SDVOSB) in federal contracting and subcontracting. SDVOSB goals are consistently missed by federal agencies with the exception of the Veterans Administration. For example, the Small Business Administration reported that the average awards to SDVOSB in Department of Defense was less than one-half of one percent from 2003-2007.<sup>2</sup> Over 10,000 SDVOSB are registered on the Central Contractor Registrar. This demonstrates how SDVOSB are a ready and untapped source of economic stimulus that the government should harness to solve our current challenges.

Thank you for the opportunity to share a view from the trenches of how small businesses get the job done for our clients. I greatly appreciate what each of you on this Subcommittee is doing to improve economic opportunities for all of us in the small business community. I am asking you to reiterate the Government's long-standing position of supporting small businesses in Federal contracting. Small businesses are agile, create jobs quickly, and, if properly funded in a timely manner, will support our nation's economic recovery. I have provided examples of how Klett Consulting Group and other small businesses do this every day, and my thoughts on how to rapidly fund small businesses. Thank you for your time and dedicated service to our country. I will be glad to answer any of your questions.

## Works Cited

Department of Defense. (2009, March 9). *DOD Program Goals and Statistics*. Retrieved March 9, 2009, from Department of Defense Office of Small Business Programs: <http://www.acq.osd.mil/osbp/statistics/goals.htm>

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<sup>2</sup> (Defense, 2009)

Velazquez, N.M. (2009). Chairman, House Committee on Small Business. *Oversight Plan of the Committee on Small Buisness for the One Hundred Eleventh Congress*. Washington DC: Congressional Record.

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Additional comments for the record provided by Mr. Scott Denniston  
Director of Programs  
National Veteran-Owned Business Association

This administration appears to have several conflicting goals: spending stimulus money quickly, prohibiting the use of sole source and limited competition contracting methods and bringing transparency to the contracting process. Taken together these goals could mean the end of the government's small business contracting programs as we know them, and could be particularly hurtful to service-disabled, veteran-owned small businesses (SDVOSBs). The SDVOSB program is the government's newest and least supported small business program based on the Small Business Administration's report of federal contracting dollars awarded to all categories of small business.

The administration has directed federal agencies to spend billions of dollars as quickly as possible to help heal the ailing U.S. economy. Unfortunately, little or no guidance has been provided as to how to spend the money. Contracting officers are currently overwhelmed trying to keep up with mission requirements within the agencies. No new contracting officers or program officials are being added by the administration to spend the stimulus money. Human nature dictates in difficult times folks take the path of least resistance. In this case, it means spend the money as quickly as one can, with known companies in bundled contracts. This will result in "large business set-asides." Some agencies are considering sending monies to other agencies to spend as they don't believe they have the necessary resources to do it themselves. This further dilutes accountability for supporting the small business programs.

On March 4, the White House announced "that executive agencies shall not engage in noncompetitive contracts." The press release makes no distinction between the thousands of sole source awards to productive and efficient small businesses under the SDVOSB, HUBZone or 8(a) programs and the billions of dollars awarded sole source to large businesses such as KBR and Halliburton. No guidance has been provided to contracting officers as to whether the administration is restricting the use of legitimate contracting mechanisms to support the nation's small businesses.

The pressures being exerted on the contracting officer community will probably result in greater use of the General Services Administration's Federal Supply Program. Under Part 8 of the Federal Acquisition

Regulations, FSS holds a higher contracting preference compared to the small business programs. Unfortunately, GSA does not allow set-asides for any small business group under the FSS program, which will further diminish opportunities for small businesses.

The administration's actions are particularly onerous for service-disabled, veteran-owned small businesses. As the newest small business program, the government's resistance to change has hurt SDVOSBs the most. Public Law 106-50 mandates 3% of all federal prime and subcontracts be awarded to SDVOSBs. To date the government's accomplishments have been abysmal, averaging less than 1% to this most deserving group of Americans. If the administration restricts the use of the sole source authority to award contracts to SDVOSBs as is allowed under Public Law 108-183 and in particular for the Department of Veterans Affairs under Public Law 109-461 – Veterans First Program – SDVOSBs will further suffer. Part 19 of the Federal Acquisition Regulations already puts SDVOSBs at a disadvantage compared to 8a and HUBZone small businesses. The recent General Accountability Office decision which places HUBZone firms in front of SDVOSBs in the contracting hierarchy further hurts the ability of SDVOSBs to be awarded contracts at fair and reasonable prices.

Congress must step up and reiterate the government's long-standing position of supporting small businesses in federal contracting. Congress must also address the issue of "parity" of the small business programs with each other. Contracting officers and program officials in the rush to support their mission will bypass the small business programs for other less burdensome and confusing contract mechanisms if these issues are not addressed.