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March 4, 2005

The Honorable David M. Walker
Comptroller General of the United States
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Walker:

Recently, there have been numerous press accounts of federal agencies awarding large, sole-source contracts to Alaska native corporations. These corporations and their joint ventures reportedly have received individual contracts worth as much as $2.2 billion for a variety of services, including security for military facilities, maintenance of gamma-ray and other scanning machines at U.S. ports and borders, construction at U.S. military bases and embassies, and information technology management for the National Geospatial Intelligence Agency. Two Alaska native corporations have reportedly received contracts worth as much as $1 billion to provide security at dozens of American military bases. Much of the actual security, as we understand it, will be provided by their large business subcontractors, which should be capable of obtaining federal contracts through the standard competitive process.

The agencies sometimes claim that these sole-source contracts are awarded because they cannot wait to obtain critical services. It appears, however, that urgency frequently is not an issue but that agency officials are primarily concerned about meeting minority contracting goals. As we understand it, the law governing the award of contracts to Alaska native corporations provides an advantage to those firms compared to the rules that other minority businesses must meet. Thus it is not surprising that five Alaska native corporations were in the top ten disadvantaged minority small businesses for 2004, and that they advertise their ability to receive federal contracts without competition.

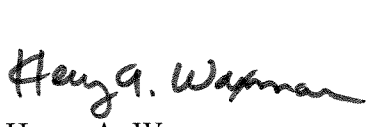
It appears that these contracts also may come at a cost to the federal taxpayer. It is our understanding that agencies are not required to do the cost-benefit studies that are supposed to ensure that these contracts will save the government money. As more and more federal contractors and federal contracting officials become aware of this exception to the use of fully competitive procedures there may be growing use of these contracts.

We are requesting that the Government Accountability Office review the use by federal government agencies of Alaska native corporations through the Small Business Administration's "8(a)" program and the impact of such use on the federal competitive procurement process. We have attached a list of questions we would like GAO to consider in its review.

If you have any questions or need additional information, please have your staff contact John Brosnan with the majority staff (225-5074) or Jeff Baran with the minority staff (224-5420).

Sincerely,

Tom Davis
Chairman



Henry A. Waxman
Ranking Minority Member

Questions

- Could the majority of all government contracts be awarded on a sole-source basis to Alaska native corporations under the current rules governing contracting with these corporations?

- Provide a list of all Alaska native corporations certified as "disadvantaged small businesses" by the Small Business Administration, their federal contracts and annual revenues. What percentage of their annual revenues is from federal contracts? How many native Alaskans are employed by those corporations to work at the work site locations?

- What reasons are given by federal agencies for awarding contracts to Alaska native corporations? How have the procurement officials become aware of this contracting program?

- Two Alaska native corporations received sole-source contracts from the Department of Defense to provide security to several military installations, allegedly because of the critical military need for civilian guards. However, at the same time, the Army was able to competitively award contracts for 17 other installations. Was there any distinction between these requirements that justified awarding some competitively and others on a sole-source basis?

- How frequently do these contracts involve joint ventures, partnerships or other arrangements with non-native companies? How many of the employees of the Alaska native corporations were formerly employees of the non-native corporation or the federal government?

- How do federal officials ensure that they are getting a reasonable price under this contracting program?

- How often has a competitive process been begun, but then halted, after which there has been a sole-source award to an Alaska native corporation?

- Some agencies have stated publicly that the work done under these contracts has been very satisfactory. Is this correct, and, if so, why aren't these companies capable of and encouraged to enter the competitive acquisition process?

- Are Alaska native corporations advertising their ability to avoid the competitive process for contracts of any size as a reason to consider them for federal contracts?

- Compare the mean value of awards of federal sole-source contracts with Alaska native corporations to the mean value of contract awards of sole-source contracts with other minority disadvantaged small businesses. How many Alaska native corporations have

been awarded these contracts? How many other minority disadvantaged businesses have sole-source contracts?

- Unemployment among native Alaskans remains high. What is the impact of these contracts on employment, income, education and economic development for native Alaskans?