

Final

TESTIMONY OF ARMANDO L. MENA,
DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION
BEFORE THE COMMITTEE ON SMALL BUSINESS,
HOUSE OF REPRESENTATIVES
REGARDING DISADVANTAGED BUSINESS ENTERPRISES

SEPTEMBER 19, 1984

Good morning, Mr. Chairman, Members. It is a pleasure for me to appear before the Committee to provide an overview of the Department of Transportation (DOT) implementation of Section 105(f) of the Surface Transportation Assistance Act of 1982 (STAA). I am accompanied by the Administrators of the Urban Mass Transportation Administration (UMTA) and Federal Highway Administration (FHWA), Mr. Ralph Stanley and Mr. Ray Barnhart, who will provide more specific information regarding their agency's implementation of Section 105(f).

At the Department of Transportation, we are proud of the progress we have made in contract awards to disadvantaged businesses as a result of Section 105(f).

As you know, the Surface Transportation Assistance Act was passed in December 1982 and signed into law on January 6, 1983 by President Reagan. While this Act did not become law until well into fiscal year 1983, disadvantaged business enterprises (DBEs) in FY 83 received more than one billion dollars in contract awards from our highway and mass transit grant recipients. This includes \$799 million in highway prime contract awards and subcontract commitments, and \$298 million in transit contracts. For FHWA's 52 program recipients, this represented a nationwide average of 9.8 percent DBE participation in all Federal-aid highway contracts. For UMTA's 451 program recipients, this represented a nationwide average of 14.3 percent DBE participation in all federally assisted transit contracts.

the DBE program. We have also participated in numerous conferences to inform recipients and DBE's about OSDBU programs and the Act.

One other initiative being undertaken by OSDBU is the conduct of a needs assessment to determine the feasibility of OSDBU maintaining a national directory of DBEs and WBEs certified by our recipients.

The Department believes that combating abuse of the DBE program is a key to ensuring its success. Nothing can destroy the integrity of such a program faster or more effectively than its infiltration by significant numbers of "fronts", firms that are not eligible DBEs but claim to be so in order to take advantage of the program. The Department is carrying out its commitment to the integrity of the DBE program in several ways:

- * The first line of defense against abuse is for recipients to have strong certification and verification programs. We consider this an important part of a recipient's overall DBE program which we emphasize as we work with recipients. This has also been one of the major subjects of discussion at the recent series of regional FHWA and UMTA conferences. We are also strongly encouraging the formation of statewide or regional organizations or cooperative agreements among recipients to help perform the certification function more efficiently and effectively.
- * FHWA and UMTA, as part of their oversight of recipients' programs, frequently call to the attention of recipients potential problems with the eligibility of firms they have

referrals, the effectiveness of this remedy has been limited by evidentiary problems and the fact that U.S. attorneys have often not assigned such cases a high priority because the demonstrable damages sustained by the Government in individual cases are often small relative to other cases. Also, these actions would focus on the DBE firms, where often it is the prime contractor that orchestrated the activity but is careful enough to limit its own filings and certifications. The Inspector General's office also assists the Office of Civil Rights and the operating administrations in decertification and suspension and debarment matters.

- * The Department, through its Office of Inspector General, has instituted a Hotline Complaint Center which may be used to report suspected false front organizations. The Hotline telephone numbers are 755-1855 (Washington, D.C.), or toll free 800-424-9071. The mailing address is P.O. Box 23178, L'Enfant Plaza Station, Washington, D.C. 20024-0178. Individuals who report suspected fronts are provided confidentiality, if requested. The intent of the Department in establishing the Hotline is to protect the integrity of the Department's DBE program.

- * The Department is working on administrative revisions of its DBE program regulations to strengthen and clarify the eligibility criteria; revise "Schedule A", the model certification information form, to request more specific information that will make it more difficult for ineligible firms to apply for certification