



**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

June 6, 2014

The Honorable Claire McCaskill
Chairman, Subcommittee on Financial and Contracting Oversight
Committee on Homeland Security and Governmental Affairs
United States Senate
Washington, DC 20510

Dear Chairman McCaskill:

This letter responds to your March 28, 2014 letter requesting the U.S. Small Business Administration (SBA) Office of Inspector General (OIG) to review the contracting process related to the renovation of the Building 660 at Fort Greely, Alaska. Specifically, you requested that the SBA OIG review the information provided by the Subcommittee, and if warranted, conduct an audit of the acquisition process to determine whether the SBA and U.S. Army Corps of Engineers (USACE) conducted the acquisition in compliance with applicable federal laws, regulations, and best practices.

The scope of our review is limited to the role and actions of the SBA as it pertains to the contract process at issue. In essence, the SBA's role in this particular procurement activity was to (1) review a sole-source offer letter and (2) review an informal appeal from the USACE. Based on our review, the SBA's actions were in compliance with applicable federal laws and regulations. Specifically, the SBA acted appropriately when it denied the USACE's request to offer the contract as a sole source award under the 8(a) program.

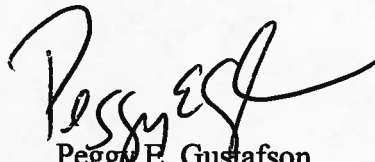
In August 2013, after a number of funding-related delays, the USACE sought approval from the SBA to offer the Fort Greely procurement as an 8(a) sole source award to Silver Mountain Construction, LLC. In its offer letter, the USACE asserted that the procurement had not been offered previously as a Small Business Set Aside. Based on this information, the SBA accepted the offer. Four days later, after the SBA learned that the procurement had in fact been offered previously for competitive bid, the SBA rescinded its acceptance. We believe the SBA acted appropriately based on CFR 124.504, which, in the absence of extraordinary circumstances, prohibits a sole source award for a requirement that has been previously announced as a competitive offer.

The USACE disagreed with this decision and asked the SBA Associate Administrator of Business Development to review the matter, which he agreed to do. While it is within the authority of the SBA Associate Administrator of Business Development to recommend the use of a sole-source award or to recommend a small business concern, our review provided no evidence that this occurred. Specifically, documents provided by the Subcommittee, the SBA's Office of Business Development,

and the SBA's Alaska District office, as well as interviews with responsible SBA personnel familiar with this particular action, did not reveal any evidence that the SBA recommended or directed USACE to enter into a sole-source contract negotiation with Tatitlek Construction Services, Inc., or any other firm. At this point, the SBA's formal involvement with the sole source procurement request ended. In May 2014, the requirement was posted again as a competitive offer.

Please let us know if you have any further questions or concerns.

Sincerely,



Peggy E. Gustafson
Inspector General