



Written by [Brian Koenig](#) on October 5, 2012

GAO: 35% of Federal Contract Dollars Went to Minority-Owned Businesses

According to a [new audit](#) by the Government Accountability Office (GAO), the federal government is racially discriminating, or “seeing in color,” by equipping small minority-owned businesses with an edge for federal contracting jobs regardless of their capabilities to fulfill government demands.

The lengthy report examines federal affirmative action. Of the \$537 billion in government contracts federal agencies offered to businesses, about \$104 million was dedicated to small firms, of which over one-third (\$36 billion) was awarded to minority-owned businesses. The GAO acknowledged that Congress has, for more than three decades, dedicated its legislative resources to steer federal taxpayer dollars to businesses owned by minorities.



“The federal government has a long-standing policy of maximizing procurement opportunities for small businesses owned and controlled by socially and economically disadvantaged individuals (small disadvantaged businesses),” GAO noted, affirming that federal officials have selectively apportioned contracting dollars based on racial variables. “In 1978, Congress amended the Small Business Act to require federal agencies to, among other things, negotiate annually in good faith with the Small Business Administration (SBA) to establish prime and subcontracting goals for these businesses, which include businesses owned and controlled by various minority groups.”

The GAO contacted two agencies to collect and review federal contracting practices and found that the Minority Business Development Agency in the Department of Commerce affirmed that its business centers assisted minority-owned businesses in securing 1,108 financings and contracts worth more than \$3.9 billion in fiscal year 2011. The Small Business Administration reported that in the same year over 90 percent of its business development program participants were businesses owned by minorities.

Among those [identified](#) as “socially and economically disadvantaged” business owners are number of racial groups, including African Americans, Native Americans, Hispanic Americans, Asian Pacific Americans, Subcontinent Asian Americans, and economically-deprived Indian tribes or Native Hawaiian organizations. “These owners must have at least a 51 percent stake in the business,” the GAO added. Further defining who identifies as “socially disadvantaged,” the report explains that individual business owners who are prone to discrimination because of their race are eligible under the “affirmative action” guidelines:

Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual



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qualities. Economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities compared with others in the same business area who are not socially disadvantaged. 15 U.S.C.A. § 637(a)(5),(6). Federal agencies generally do not use the term minority-owned business or refer to the racial classification of the business owner.

In order to effectively “foster participation” in minority federal contracting, government agencies must administer a number of programs and administer outreach activities for these target groups, the GAO adds:

For example, SBA administers programs that are designed to develop small businesses — including minority-owned businesses — and help them navigate the federal contracting process. Federal agencies also participate in outreach activities such as matchmaking events — one-on-one meetings — that bring together agency contracting officials and businesses seeking contracts. Further, all federal agencies with procurement authority are required by law to have an Office of Small and Disadvantaged Business Utilization (OSDBU) that works specifically on contracting issues for these businesses.

Responding to the audit, the U.S. Commerce Department asserted that the GAO was too vague in describing all of the government’s efforts to bolster minority-owned businesses through federal contracting. In a written response, Acting Secretary of Commerce Rebecca Blank said the draft report “represents a good start” at illustrating the federal government’s efforts in these matters, but the review is “narrow” and neglects to mention all federal programs enacted to support contracting with minority business owners.

“For example,” Blank cited, “the U.S. Departments of Agriculture, Transportation, and Housing and Urban Development have programs geared toward increasing federal contracts with minority-owned firms, independent of the Office of Small and Disadvantaged Business Utilization. Likewise, the Offices of Minority and Women Inclusion, recently established at all financial regulatory agencies, were not discussed in the draft report.”

In effect, the GAO report provides a landscape view of how the federal government implements an affirmative-action approach in its contracting pursuits, hence committing racial profiling and race-based discrimination.



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