

## Bill would toughen oversight of SBA contracting programs

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Companies competing for federal dollars through the Small Business Administration's socioeconomic contracting programs soon could face toughened scrutiny from Congress and the Obama administration.

Last week, a bipartisan group of Senate lawmakers introduced legislation to create a wide-ranging, cradle-to-the-grave oversight framework of SBA's entire contracting portfolio, beginning with contractor certification and ending with post-award monitoring. The [bill](#) also would increase the criminal penalties for companies that fraudulently win small business contracts.

"Exercising thorough oversight to ensure SBA's contracting programs are efficient, effective and accountable is a top priority," said the bill's lead sponsor, Sen. Olympia Snowe, R-Maine, ranking member of the Senate Small Business Committee. "This legislation is a critical step toward ensuring all our nation's small businesses compete fairly in the federal market place."

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The Small Business Contracting Fraud Prevention Act is also sponsored by Sens. Mary Landrieu, D-La., the chairwoman of the committee; Scott Brown, R-Mass.; Jeff Merkley, D-Ore.; and Mike Enzi, R-Wyo.

The bill would create an oversight mechanism for small businesses owned by a service-disabled veteran or a woman, located in a Historically Underutilized Business Zone, or operating in the 8(a) Business Development Program. Each of the companies competing for contracts in those four programs would have to submit documentation representing their status in the Online Representations and Certifications Application database.

Companies that misrepresent themselves would face harsher criminal punishments and possible suspension or debarment from future contracting opportunities. Violators would be subject to civil penalties under the False Claims Act and be required to repay the government every dollar they received through a contract, grant or cooperative agreement. Penalties also would be applied to companies that use a subcontractor to perform a higher percentage of work than is allowed by the program's rules.

"Government contracts are perhaps one of the easiest and most inexpensive ways the federal government can help immediately increase sales for America's entrepreneurs, giving them the tools they need to keep our economy strong and create jobs," Landrieu said. "This legislation gives the SBA and the inspector general the tools necessary to combat fraud. We intend for the SBA to hold firms accountable."

The bill lays out significant changes to the framework of many SBA contracting programs. For example, all service-disabled veteran-owned small businesses would be required to register with the Veterans Affairs Department's VetBiz database before competing for contracts. The database currently is [mandatory](#) only for companies competing for VA contracts. Within a year, information also would have to be shared between VetBiz and the governmentwide Central Contractor Registration.

Before awarding a sole-source contract to a service-disabled veteran-owned small business, contracting officials first would have to check the VA database. Government Accountability Office reports have shown the program is [vulnerable to fraud and abuse](#) by companies misrepresenting themselves as owned by wounded veterans.

In addition, GAO would be tasked with stepped-up monitoring of the 8(a) program, which, along with the HUBZone program, has demonstrated gaps in monitoring and enforcement.

Every three years, the watchdog would be required to evaluate the program's effectiveness, including how many contracts companies win as 8 (a) participants as compared with how they fare after exiting the program. Congress also wants to know how many companies cease to operate after leaving the 8(a) program.

Separately, the bill calls on SBA to evaluate using additional third-party data sources; making unannounced site visits to 8(a) contractors; adopting additional fraud detection tools, including data-mining techniques; and conducting financial and analytical training for their business opportunity specialists.

The agency would be mandated to submit an annual report to Congress on the number of suspensions and debarments in the previous one-year period stemming from convictions, indictments and referrals from the SBA inspector general. SBA also would have to disclose instances in which the IG made a referral for suspension or debarment and the agency declined to follow the recommendation.