



VA tightens rules for veterans contracting program

By Robert Brodsky rbrodsky@govexec.com February 9, 2010

The Veterans Affairs Department has set strict guidelines for bidding on contracts set-aside for veteran-owned small businesses.

Entrepreneurs will be allowed only one company at a time in the contracting program and must work full time in the business, according to a [final rule](#) published on Monday in the *Federal Register*.

A May 2008 interim rule only required participants to "show sustained and significant time invested in the business." But comments on the proposal convinced agency officials to limit consideration to veteran-owned small businesses in which the owner has a day-to-day management role. Though the rule is final, VA is accepting comments on the owner-involvement change through March 10.

"VA has determined that this revision will ensure the integrity of the program," the rule stated.

The regulation implements portions of the 2006 Veterans Benefits, Health Care and Information Technology Act and governs entry to a [VA set-aside contracting program](#) for veteran-owned and service-disabled veteran-owned small businesses, established in December 2009. The program would allow the department to let sole-source contracts to these firms, for awards of up to \$5 million.

To participate in the program, companies must register with the [VetBiz.gov Vendor Information Pages database](#) to verify they meet all eligibility requirements. Any company that misrepresents itself in the database could face debarment for up to five years. The department's Center for Veterans Enterprise will make the final decision on application denials.

"Any firm registered in the VA VetBiz VIP database that is found to be ineligible due to an SBA protest decision or other negative finding will be immediately removed from the VetBiz VIP database," the final rule stated.

Previously, vendors could self-certify the accuracy of the information provided. But now, officials with the Center for Veterans Enterprise must verify the data as part of the VetBiz application process. There are nearly 16,000 veteran-owned small businesses in the VetBiz database, including about 9,000 service-disabled veteran-owned small businesses.

But, VA said it does not have the resources to conduct site visits to all firms applying to participate in the program.

"VA finds that mandatory site visits could be an unnecessary burden to vendors when VA can adequately verify firms through other means, such as document review," the rule stated. "The department will monitor awards to companies in the verification program and make decisions on which companies to inspect using a combination of factors, including staffing and funding."

Veteran-owned and service-disabled veteran-owned small businesses also must recertify their status annually to remain in the program.

In October, the Government Accountability Office released a [report](#) showing the governmentwide service-disabled, veteran-owned small business contracting program was vulnerable to fraud and abuse. By conducting 10 case studies, the watchdog agency found \$100 million in contracts had been collected through fraud or abuse of the program.

VA awarded 35 percent of its fiscal 2008 contract dollars to small companies, including 15 percent to veteran-owned small firms and 12 percent to service-disabled veteran-owned small businesses. In contrast, the government as a whole awarded 3 percent of contract dollars to veteran-owned

firms and just 1.5 percent to small companies owned by service-disabled veterans. The governmentwide goal in both categories is 3 percent.

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