

Veterans to receive priority in VA contract awards

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Small businesses owned by veterans have jumped to the front of the line for Veterans Affairs Department contracts.

VA published a [final rule](#) in the *Federal Register* on Dec. 8 creating a set-aside contracting program for veteran-owned and service-disabled veteran-owned small businesses.

The rule, which has been [in development](#) for more than three years, requires VA contracting officers to set aside procurements between \$100,000 and \$5 million if they expect two or more eligible veteran-owned or service-disabled veteran-owned small businesses to submit a fair and reasonable offer. VA contracting officers also will be allowed to let sole-source contracts to these firms, for awards from \$3,000 to \$5 million.

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"Only a small percentage of veterans own small businesses," the rule states. "With this new procurement authority, additional businesses may be opened by veterans seeking to participate in the sole-source or set-aside procurement actions. More likely, [veteran-owned small businesses] not currently in the federal market may be expected to explore selling to VA."

To participate, companies must register with the [VetBiz.gov Vendor Information Pages database](#) to verify that they meet all eligibility requirements. Any company that misrepresents itself in the database could face debarment for up to five years.

Previously vendors could self-certify the accuracy of the information provided. But now, officials with the VA 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.

The *Federal Register* notice also requires VA to give small businesses owned and controlled by veterans priority over all other socioeconomic groups, such as firms in historically underutilized business zones and small disadvantaged businesses. Prime contractors that propose using veteran-owned firms as subcontractors also must receive preference.

Congress has not yet authorized a similar procurement program governmentwide.

"This VA-specific rule is a logical extension of VA's mission to care for and assist veterans in returning to private life," the notice states. "It provides VA with the new contracting flexibilities to assist veterans in doing business with VA."

The rule builds off a 2004 executive order by President George W. Bush that mandated increased contracting and subcontracting opportunities for veteran-owned and service-disabled veteran-owned small businesses. In 2006, Congress passed the Veterans Benefits, Health Care and Information

Technology Act, which authorized VA to set aside and award sole-source contracts to service-disabled veteran-owned small businesses.

VA received 97 comments on its proposed rule, although many were form letters that included identical responses, according to the notice. Officials did not make any significant changes from the [August 2008 interim rule](#).

Among the other policy changes in the final rule, VA contracting officers will not need a waiver to purchase supplies and services from veteran-owned and service-disabled veteran-owned small businesses rather than Federal Prison Industries Inc., the mandatory supplier for agencies purchasing specified products.

The rule also creates a mentor-protégé program at VA in which larger firms tutor, train and guide smaller businesses in exchange for preference in prime contract awards. The mentor firms are encouraged to help service-disabled veteran-owned and veteran-owned small businesses obtain bonds.

In addition, the rule proposes that the [Small Business Administration](#) hear protests regarding the size and eligibility of companies winning VA set-aside contracts. VA will accept comments on the proposal through Jan. 7, 2010.

VA awarded 35 percent of its fiscal 2008 contract dollars to small businesses, including 15 percent to veteran-owned small businesses 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.