

# Small-business contracts under scrutiny from several federal agencies.

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A half-dozen federal agencies are looking into alleged abuses of small-business contracts, some involving [Alaska native corporations](#) that have received hundreds of millions of dollars in recent years under special set-aside rules. Contracting specialists and government officials said the flurry of enforcement efforts signals a shift toward more oversight of contracts by the Obama administration in the wake of reports about questionable contracting practices. "This is a warning to everybody," said Stan Soloway, president and chief executive of the Professional Services Council, a national trade group of government contractors. "Clearly, there is a signal here."

Daniel Gordon, administrator of the White House Office of Federal Procurement Policy, said the administration supports set-aside contracts for small business and Alaska native corporations, or ANCs, but only with sufficient oversight. "We can only do that if the public . . . are confident that we are protecting those programs from fraud," Gordon said. "The days of 'No one is checking' are over. For too long, there was inadequate oversight."

The government requires agencies to devote about a quarter of procurement spending to small businesses - almost \$100 billion last year. In some cases, though, small firms and ANCs allegedly have operated as fronts to pass on work and revenues to traditional companies, in violation of small-business rules.

In September, [President Obama signed legislation](#) that provides billions in new loan guarantees and other support for small businesses, with the aim of helping spur job growth and stimulating the flagging economy.

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The surge in enforcement follows an unprecedented action by the Small Business Administration in October [to suspend a large contractor, GTSI](#), from all government business. The SBA said it had evidence that GTSI had used two small firms to illegally get work from a \$3 billion contracting program at the Department of Homeland Security.

Those measures came after The Washington Post detailed the relationships between the companies in a [series](#) of articles that began in September. The series has focused on abuses in the government's small-business programs for Alaska native corporations, subsidiaries of which have received more than \$29 billion in contracts over the past decade.

Among the recent enforcement and oversight efforts:

l Justice Department civil enforcement authorities are considering how to recover money from firms involved in questioned small-business contracts. The companies under scrutiny [include](#)

[GTSI](#) and the two firms it worked with - EG Solutions and MultimaxArray Firstsource, according to people with knowledge of the inquiry.

In a statement, the U.S. Attorney's Office in the District said the department is working with the SBA on civil fraud cases, but it declined to identify the companies it is reviewing.

"The U.S. attorney's office is committed to working with SBA and inspectors general to examine whether the United States may be entitled to monetary damages and penalties from companies that abuse the small business contracting rules," the statement said.

Senior procurement officials at the Department of Homeland Security have launched a "comprehensive review" of the agency's small-business contracting program, known as First Source. Officials plan to examine whether the businesses are doing the proper amount of work themselves and not handing it off to subcontractors, according to a DHS e-mail obtained by The Post.

"In light of the recent SBA's suspensions and The Washington Post article regarding abuses in the First Source program, DHS intends to undertake a comprehensive review of all 11 First Source contracts to ensure that the program can continue forward without further risk or abuse," the e-mail said.

In a statement, a DHS spokesman said the agency "takes very seriously the issues that resulted in the recent SBA suspensions of two of the First Source contractors."

The Army Criminal Investigation Command and the Defense Criminal Investigative Service have joined with the Interior Department Inspector General's Office to examine a \$250 million Army contract given to an inexperienced Alaska native corporation subsidiary, [United Solutions and Services](#) (US2).

That investigation came after The Post reported that the subsidiary received the large contract without competition, even though it could not do the work itself. Army officials said they used the company to avoid a contracting competition. They also said they knew that the firm was not doing at least half the work during much of the contract period, something that is required under SBA rules.

A spokesman for US2 said the firm "is confident that any review of this kind will show that the company and government agencies acted properly and responsibly. US2 will fully cooperate with any such inquiry in this matter."

The SBA Inspector General's Office also is investigating First Source contractors that SBA officials said "entered in a relationship with a subcontractor in order to defraud the government."

The SBA is continuing to examine GTSI, even though the suspension of the company was lifted, officials said. As part of an agreement with the SBA to resume contracting, two senior GTSI executives resigned, and three others were suspended until the probe is complete.

SBA officials later also suspended the two small businesses that worked with GTSI, EG Solutions and MultimaxArray. In suspension letters to the companies, the SBA said it has evidence that the firms worked with a large company to "defraud the Government."

Eyak Corp., the parent of EG Solutions, said in a statement that the firm is working with the SBA "to demonstrate its compliance with all relevant SBA regulations in an effort to lift the suspension and restore the company's good standing. We are not aware of the status of any U.S. Attorney's Office investigation but will certainly fully cooperate with any such inquiry.

"We will also work with DHS to ensure that the First Source program will continue to operate in the highly ethical manner EG Solutions adheres to."

A spokesman for GTSI declined to comment on recent developments. An executive at MultimaxArray did not respond to inquiries.

Lars Anderson, a contracting attorney who represents a First Source contractor who raised questions about GTSI to Homeland Security officials, said there "appears to be a bellwether shift in enforcement" by the SBA and other agencies.

"I believe that this recent SBA action represents the start of a crackdown on the widespread abuses of programs meant to assist small businesses, and it is long overdue," Anderson said.

Soloway, the trade group president, said he does not believe the problems are endemic. He said some of them stem from confusion about the government's complex small-business rules - by contractors and government regulators alike. He said the enforcement efforts present an opportunity to clarify the regulations. "We need to be looking at the laws," he said. "It becomes a learning moment as well as a legal moment."