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U.S. DEPARTMENT OF VETERANS AFFAIRS' CENTER FOR VETERANS ENTERPRISE

HEARING

BEFORE THE

SUBCOMMITTEE ON ECONOMIC OPPORTUNITY

OF THE

COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

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U.S. DEPARTMENT OF VETERANS AFFAIRS' CENTER FOR VETERANS ENTERPRISE

THURSDAY, MARCH 11, 2010

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 1:47 p.m., in Room 334, Cannon House Office Building, Hon. Stephanie Herseth Sandlin [Chairwoman of the Subcommittee] presiding.

Present: Representatives Herseth Sandlin, Adler, and Boozman.

OPENING STATEMENT OF CHAIRWOMAN HERSETH SANDLIN

Ms. HERSETH SANDLIN. Good afternoon, ladies and gentlemen. The Committee on Veterans' Affairs, Subcommittee on Economic Opportunity, hearing on the U.S. Department of Veterans Affairs' (VA) Center for Veterans Enterprise (CVE) will come to order.

I appreciate our panelists' patience in starting the hearing late because of a series of votes. Thank you for your patience.

I now ask unanimous consent that all Members have 5 legislative days to revise and extend their remarks and that written statements be made part of the record. Hearing no objection, so ordered.

Today's hearing will provide veterans service organizations (VSOs) the opportunity to highlight issues of concern regarding responsibilities that fall under the Center for Veterans Enterprise.

Furthermore, today's hearing will afford the recently appointed Executive Director of the Office of Small and Disadvantaged Business Utilization (OSDBU) with the opportunity to hear from the veterans' community and provide the Subcommittee an update on matters relating to the Center for Veterans Enterprise.

As many of our witnesses will testify, small businesses are an essential component to a strong economy. This Subcommittee has held several hearings on the challenges faced by our Nation's veterans seeking to start and develop a small business.

We have also heard from many members of the National Guard and Reserve components who find it challenging to maintain their small businesses when called to active duty.

I want to assure our panelists that this Subcommittee will continue to work to remove barriers that prevent veterans from accessing services that may help them succeed in their small business ventures.

Furthermore, I welcome the Department of Veterans Affairs incoming Executive Director who will oversee the Center for Vet-

erans Enterprise. I look forward to hearing more about how Mr. Foreman's leadership will enforce current laws and meet the needs of veteran-owned small businesses in a challenging economy.

I now recognize our distinguished Ranking Member, Mr. Boozman, for any opening remarks he may have.

[The prepared statement of Chairwoman Herseth Sandlin appears on p. 27.]

STATEMENT OF HON. JOHN BOOZMAN

Mr. BOOZMAN. Thank you very much, Madam Chair.

You and I first worked on creating additional tools for VA to meet and exceed the contracting goals for disabled veteran-owned small businesses in the 109th Congress. The result of our efforts culminated in Sections 502 and 503 of Public Law 109–461. I believe it is fair to say the passage of that law was greeted very favorably by veteran small business owners.

Unfortunately, we have a situation where VA appears to be dragging its feet in implementing at least one of the very important provisions of that law and that is establishing a database of veteran and disabled veteran-owned small businesses whose status as a veteran-owned small business has been verified by the VA.

In other words, the only companies that should be viewed by someone searching the database are those which have been vetted by VA. Unfortunately, that is not the case.

[Slide]

Mr. BOOZMAN. As you can see on the monitors, we are really high tech today, we have accessed the VA's vendor information pages database of veteran-owned businesses.

Although the law clearly limits the businesses listed in the database to those whose veteran-owned status has been validated by VA, the monitor clearly shows businesses that have not been validated.

VA staff have pointed out that the little wreath logo notes a VA certified veteran-owned small business (VOSB). I do not know about you, but it does appear that it is hard to view that as satisfactory to separate the verified from the unverified.

First of all, there is no legend that identifies the symbol as meaning the company has been verified. For example, on the screen shown here, seven of the ten businesses listed have not been verified. Additionally, it appears the database is also searchable for other set-aside groups such as HUBZone or 8(a).

The intent of creating the database was to provide VA contracting officers and other Federal agencies seeking to contract with real veteran-owned businesses a source that could be trusted. Whether a business self-certifies it is veteran owned while VA is doing its homework on the business, it should not be listed.

Finally, as I said, Madam Chair, we started working on this in 2006 and it is now over 3 years since passage of Public Law 109–461. Literally it is taking years to comply with what the Congress and the President has told VA what to do.

VA has presented Congress with four budgets since these provisions became law and, to my knowledge, not one of those budgets requested any additional resources to comply with the law.

As a result, as the U.S. Government Accountability Office (GAO) has reported extensively, companies falsely representing themselves as veteran and disabled veteran-owned have stolen millions of dollars in contracts from real veteran-owned small businesses.

I believe if VA had implemented the law expeditiously in accordance with the Congressional intent, those millions in taxpayer dollars would be in the coffers of real veteran-owned businesses.

The icing on the cake is that some of the businesses identified as fraudulent are still doing business with VA despite the Secretary's authority to debar them.

Finally, Madam Chair, I ask unanimous consent to have a submission by the International Franchise Association made part of the record.

With that, I yield back the balance of my time. Thank you.

[The prepared statement of Congressman Boozman appears on p. 27. The letter from the International Franchise Association is included in the submissions for the record, which appear on p. 40.]

Ms. HERSETH SANDLIN. Thank you, Mr. Boozman.

The document you referred to will be entered into the record as requested.

I would ask any other Members if they have opening statements to submit them for the record.

I thank Mr. Boozman for his opening remarks.

I want to welcome our panelists testifying before the Subcommittee today.

Joining us on our first panel is Mr. Scott Denniston, Director of Programs for the National Veteran-Owned Business Association (NaVOBA); Mr. Richard Daley, Associate Legislation Director for the Paralyzed Veterans of America (PVA); Mr. Rick Weidman, Executive Director for Policy and Government Affairs for the Vietnam Veterans of America (VVA); Mr. Joseph Sharpe, Director of the National Economic Commission for the American Legion; and Ms. Christina Roof, National Deputy Legislative Director for AMVETS.

I welcome you all back to the Subcommittee.

Mr. Denniston, we will start with you. You are recognized for 5 minutes.

STATEMENTS OF SCOTT DENNISTON, DIRECTOR OF PROGRAMS, NATIONAL VETERAN-OWNED BUSINESS ASSOCIATION; RICHARD DALEY, ASSOCIATE LEGISLATION DIRECTOR, PARALYZED VETERANS OF AMERICA; RICHARD F. WEIDMAN, EXECUTIVE DIRECTOR FOR POLICY AND GOVERNMENT AFFAIRS, VIETNAM VETERANS OF AMERICA; JOSEPH C. SHARPE, JR., DIRECTOR, NATIONAL ECONOMIC COMMISSION, AMERICAN LEGION; AND CHRISTINA M. ROOF, NATIONAL DEPUTY LEGISLATIVE DIRECTOR, AMERICAN VETERANS (AMVETS)

STATEMENT OF SCOTT DENNISTON

Mr. DENNISTON. Thank you.

Madam Chair, Ranking Member Boozman, Mr. Adler, good afternoon. Thank you for the opportunity to testify today on the Department of Veterans Affairs' Center for Veterans Enterprise.

As you know, I am Scott Denniston, President of the Scott Group of Virginia representing one of my clients, the National Veteran-Owned Business Association, and its over 2,000 veteran small business owners across the country.

I would ask that my formal testimony be submitted for the record.

Your letter of invitation asked me to discuss CVE's practices, priorities, effectiveness, including VA's implementation of Public Law 109–461, especially the Department's progress in implementing the database required by the law as well as its methods to improve veteran-owned small businesses.

In the interest of full disclosure, I must tell you that I had the pleasure of establishing the Center for Veterans Enterprise after the passage of 106–50 while the Director of Small Business Programs at VA.

In my entire 38-year career with the Federal Government, I have never worked with a more knowledgeable, dedicated, and passionate group of people. The CVE is one of the most entrepreneurial organizations in government.

Unfortunately, the CVE has become a victim of its own success and I would suggest the Veteran Entrepreneurship Program has not been embraced by VA from an institutional perspective.

There is no doubt that VA has led the government in meeting the three-percent goal and should be commended for that. Much of VA's success, I believe, is due to the work of the Center for Veterans Enterprise.

Unfortunately, as the role of CVE has expanded due to the demands of Public Law 109–461, the requisite resources and contractor support necessary to effectively carry out the mandates have not been forthcoming.

CVE is funded from an internal revolving fund called the VA Supply Fund. The Supply Fund is controlled by a Board of Directors. Over 18 months ago, this group approved a significant expansion of the resources dedicated to CVE, but, unfortunately, these resources have never been forthcoming.

Likewise, contractor support to address the verification process took over a year to get under contract. We believe it is time that the CVE became a line item in the VA budget to ensure appropriate resources are justified and forthcoming.

NaVOBA differs with what we understand is the position of this Committee that the CVE database should only include verified firms. The database was established to support all Federal agencies and prime contractors in identifying service-disabled vets and veteran-owned small businesses to assist them in achieving the three-percent goal mandated by Public Law 106–50.

The verification process required by P.L. 109–461 only applies to VA. CVE identifies in the Vendor Information Page (VIP) database those firms who have, in fact, been verified. If only verified firms appeared in the database, the number of firms available to government prime contractors would shrink from over 15,000 to around 2,500 firms. This would substantially hurt the government-wide service-disabled vet program in our opinion.

We understand and share this Committee's concern about fraud, waste, and abuse in the program as identified in the recent GAO

report and believe strongly the verification requirement for service-disabled veteran-owned businesses (SDVOBs) should be made government-wide.

NaVOBA shares the concerns of others in the veteran small business community that the VA verification process is burdensome, overbearing, and so untimely as to cause serious financial strain on many service-disabled vets.

Some of our members share stories and frustrations of the process taking over 6 months to complete with the veteran applicant never being told where his or her application is in the process. CVE must do a better job communicating with veterans.

We understand there is some discussion at Congress of moving the service-disabled vet verification program to the Small Business Administration (SBA). NaVOBA is staunchly opposed to this move. Only VA can verify if an individual is a veteran or has a service-connected disability.

SBA has consistently over the years been criticized by GAO for their administration of the 8(a) small disadvantaged business and HUBZone programs. Significant resources have been expended by VA to establish the verification program. We would rather work with VA to refine and improve the current process rather than start over at an agency with a history of questionable program administration.

Our position is contingent upon VA providing CVE with adequate resources to administer the verification program.

I would like my testimony to in total be submitted for the record because we talk about some of the interpretation issues within the draft rule for P.L. 109–461 that we do not agree with.

But in summary, NaVOBA supports CVE, but strongly believes that VA must provide adequate resources commiserate with CVE's expanded mission, including verification in the database.

VA must reconsider its overly restrictive interpretation and administration of Public Law 109–461. We also believe VA must be more sensitive to the needs and concerns of the veteran small business community.

NaVOBA stands ready to be a partner with VA to achieve the intent of P.L. 109–461.

Again, I would like to thank the Committee for holding this important hearing and would be happy to answer any questions.

[The prepared statement of Mr. Denniston appears on p. 28.]

Ms. HERSETH SANDLIN. Thank you, Mr. Denniston.

Mr. Daley, you are recognized now for 5 minutes.

STATEMENT OF RICHARD DALEY

Mr. DALEY. Chairwoman Herseth Sandlin, Ranking Member Boozman, I would like to thank you for allowing PVA to testify today on this important issue.

As we know, unemployment among veterans is higher than it is with the general population. Unemployment among disabled veterans is even higher. Among PVA members and veterans with spinal cord injury, it is about 85 percent unemployment.

But we know that as veterans go out to start a business or they purchase a business and would like to do business with the Federal Government, when they have to increase their payroll, the first

thing they hire is other veterans and we know that. So we are supporting the efforts of veteran-owned small businesses.

With the current emphasis on employment for veterans coming from the President and directed down to the many agencies of the Federal Government, we hope that this message is resonating among the many dedicated professionals that oversee and award contracts that are available to the small veteran-owned businesses.

To better serve the veteran-owned businesses and the service-disabled veteran-owned business, the Center for Veterans Enterprise was created. As we discuss the Center for Veterans Enterprise today, I would like to share with the Subcommittee two predominant issues that I have heard over and over again from veterans who would like to contract business with the VA and other agencies.

As you will hear today, there are several issues with CVE, but two that I want to speak of are the verification process and a ruling that a veteran can only own one business if they plan to do business with the Department of Veterans Affairs.

The verification process, as you will hear today, is facing a 12-month backlog. More effort and oversight has to be put into this program if it is going to be successful and we are going to get the veterans' businesses verified on time.

The policy of owning only one business should be eliminated. One veteran business owner told me that his wife has sold Avon products for many years. Because his name is on their bank accounts as the primary supporter of the family, he is eliminated from doing business with the VA, because he owns two businesses. This does not make sense to me.

The witnesses you have speaking today will help inform you on the shortfalls and successes of the CVE. PVA is thankful that you are taking this time to oversee and perhaps make some needed adjustments in this program

Thank you for this opportunity to testify. I would be happy to answer any questions you may have.

[The prepared statement of Mr. Daley appears on p. 30.]

Ms. HERSETH SANDLIN. Thank you, Mr. Daley.

Mr. Weidman, you are recognized.

STATEMENT OF RICHARD F. WEIDMAN

Mr. WEIDMAN. Madam Chairwoman, Mr. Boozman, thank you very much for the opportunity to appear here today.

The only thing worse than ignoring the needs of service-disabled veterans is giving them a promise and a pledge that is not fulfilled.

Public Law 106–50 was passed specifically to give people the opportunity to earn a piece of the American dream. Also passed because we know that veterans and service-disabled veterans if they get into business with assistance from the feds will turn around and hire other veterans and service-disabled veterans as well as demobilized Guard and Reservists much more likely than the average employer.

So it is to help solve the employment problem of veterans across the country as well as giving people the opportunity to become entrepreneurs.

The Center for Veterans Enterprise was actually not mandated by Public Law 106–50, but was consonant with the intent of that law and established by then Secretary Tony Principi. And it was a move that we in the veterans' community applauded at the time.

The original intent of CVE was to assist individual entrepreneurs, veteran entrepreneurs, and would-be entrepreneurs, and to serve as a clearinghouse to encourage, to help, to assist. And somehow within the last 15 months from the retirement at the end of 2008 of the previous Director of the Office of Small Business until now, somehow the Center for Veterans Enterprise became transmogrified into an entity that was not friendly to the average vet, that was not a forthcoming agency to help people find a way to get the organizational capacity developed to the point where they could get contracts and successfully perform those contracts with the Federal Government.

I would associate myself with the remarks of the two previous speakers, and I suspect those two who will follow me, that we need to eliminate the requirement that you only have one business. It is not realistic. There are many reasons why people would organize their overall endeavor into more than one corporation.

In fact, all of the veterans' organizations sitting here before you today have more than one corporation. We are organized primarily as a 501(c)(19), but we also have a 501(c)(3). In VVA's case, we have three 501(c)(3)s for tax reasons and because money is not necessarily interchangeable. And many of the veterans' organizations also have a 501(c)(4), particularly the Veterans of Foreign Wars.

Does that mean that the elected Commander or President is not in control of the entire entity? No, it does not. Do they have to be on the premises? That is just silly in the electronic age that you have to be there sitting on a stool behind the cash register to think that somebody is owning and effectively controlling a business.

So that needs to be struck immediately in our view. It is incidentally not mentioned anywhere in P.L. 109–461 nor in P.L. 108–187 nor in P.L. 106–50 nor in Executive Order 13–360. So that is one.

Two is what we would suggest as a solution is that have a two-step process in the verification. Number one can be set up to happen literally automatically and can happen and we can eliminate the backlog.

Before you can be listed in the VIP, the VA run that person's name against the databases of all disabled service-connected veterans and of all veterans. Now that we have interchange between the U.S. Department of Defense (DoD) and VA, you can find out quickly if this person is a veteran and they are claiming VOB and if they are a service-connected disabled veteran, you can find that out by doing a simple query. So that would be automatic for any business to be listed.

Frankly, where we hope that the VIP will go and where the statute will go in the future is that the ownership and control, which would be the next step, which also does not take as long as it has been taking, if you need to contract out, then contract out, but we need to simplify this process so that you do not have a thing where you have to wait a year to get approved.

Let me just say something about the GAO report, if I may. None of the businesses cited in the GAO report that VA came before this

Committee and testified the reason why the ownership and being on premises full-time occupation was to stop the rent-a-vet. It did not stop rent-a-vet.

VA has not debarred a single one of those contractors who were specifically mentioned and at least one of them has gotten two major contracts from the VA and a $1.7 million contract from the Navy since the GAO report came out.

It is, as I noted in my statement, akin to your kid gets beat up on the way to school and the bums take his lunch money. Instead of going after the miscreants and seeing that they are identified and properly punished and apply behavior modification, we tell the kid he is not careful enough with his money and put him through all kinds of rigmarole which is exactly what the VA is doing in the CVE.

Instead of properly punishing, referring to the Office of Inspector General (OIG) and our view to the U.S. Attorney for those people who deliberately set out to perpetuate stolen valor by imitating a service-disabled veteran-owned business, they should be arrested, they should be tried, and they should be put in jail. It is only going to take one or two and all of a sudden, the wannabes will melt away.

Thank you for your indulgence. I know I am over time. And thank you for your leadership in having this hearing, Madam Chairwoman.

[The prepared statement of Mr. Weidman appears on p. 31.]

Ms. HERSETH SANDLIN. Thank you, Mr. Weidman.

Mr. Sharpe, you are now recognized for 5 minutes.

STATEMENT OF JOSEPH C. SHARPE, JR.

Mr. SHARPE. Madam Chair, Ranking Member Boozman, and Members of the Subcommittee, thank you for the opportunity to present the American Legion's views on the Department of Veterans Affairs' Center of Veterans Enterprise.

The American Legion is an ardent supporter providing assistance to veterans and their families. The Center for Veterans Enterprise has been founded to assist those very same veterans with business and entrepreneur assistance in starting their own business and providing them with access to government contracts.

The American Legion believes that assistance such as this needs to be thorough, comprehensive so that veterans can move forward with their business and become a success in the workforce.

The Center for Veterans Enterprise is there to assist them, but a few members of the American Legion Small Business Task Force have made a few observations of the program such as a lack of comprehensive technical assistance, a Web site that is not user friendly, long waits to register with the VA, and not being able to register more than one business at a time.

The Center for Veterans Enterprise also has the responsibility of the implementation of Public Law 109–461 while also supporting veteran business owners. However, the office empowered to oversee the program remains critically ineffective, understaffed, underfunded, and marginalized despite laws championed by this very Committee to further empower veterans' entrepreneurship programs.

Furthermore, the vetbiz.gov Web site is not easily navigated and needs to become a more user friendly Web site. In addition, CVE only operates one office in Washington, DC, and does not cover the needs of all veteran-owned small businesses around the country.

Government employees fielding phone calls about business is not an ideal way of conducting training and market research for veterans and their small businesses.

VA and SBA should develop a comprehensive partnership to assist veterans who are interested in participating in Federal procurement with each Department utilizing their own resources to ensure proper implementation.

Madam Chair and Ranking Member Boozman, this concludes my portion of the testimony, and I am happy to answer any questions you may have.

[The prepared statement of Mr. Sharpe appears on p. 33.]

Ms. HERSETH SANDLIN. Thank you, Mr. Sharpe.

Ms. Roof, you are recognized for 5 minutes.

STATEMENT OF CHRISTINA M. ROOF

Ms. ROOF. Thank you.

Madam Chair, Ranking Member Boozman, and distinguished Members of the Subcommittee, on behalf of AMVETS, I would like to extend our gratitude in being given the opportunity to share with you our views and ideas regarding the U.S. Department of Veterans Affairs' Center for Veterans Enterprise.

Due to the recent lack of leadership at CVE, AMVETS believes that this hearing is a vital first step in ensuring the success of CVE.

As we move through the 21st Century, during a time of war, the veteran-owned small business and service-disabled veteran-owned small business population continues to rise at a rate not seen since the end of World War II.

As America's war fighters transition back into the civilian life, many are choosing to pursue lives as entrepreneurs. Given the almost 30 percent influx of VOSBs and SDVOSBs, it is vital that CVE be ready and able to meet the growing demand for their services.

However, AMVETS does not believe that CVE is serving the needs of those veterans it was originally designed to help. Due to lack of leadership over the past year, we have seen CVE slowly move from the role of assisting veteran-owned businesses to that of an information and referral agency for other Federal and State agencies.

AMVETS believes the CVE must be brought back up to par to what it was originally tasked to do, assisting our veteran population in all aspects of their entrepreneurial endeavors. In order to effectively accomplish this, CVE must be properly staffed, trained, and funded.

On February 8, 2010, the *Code of Federal Regulations* rules regarding VOSBs and SDVOSBs were published. The final rule, as published, claims that it defines eligibility requirements to obtain veteran status, explains the examination process and procedure, and finally establishes record retention and review process guidelines.

However, AMVETS, as well as multiple other VSOs and military service organizations that we work with, found it to be abundantly clear, for lack of a better term, that the newly published rules fail to outline or clarify any solid changes or steps towards improvements to the SDVOSB verification process. The new rule also fails to outline or even touch upon the proper verification processes of SDVOSBs that should be used.

AMVETS is very disappointed at the suggestions coming from the people sitting here at this table as well as the VSO community have seem to have fallen upon deaf ear. AMVETS strongly urges that this Committee and VA reexamine the final rules as published.

Moreover, according to the *Federal Register* updates, SDVOSBs will only be allowed one entity to be registered in the Federal contracting system and that the veteran must work at the physical location 35 to 40 hours a week to maintain their status.

AMVETS strongly disagrees with the language used in the final rules and believes it will undoubtedly stifle the growth of veteran-owned businesses due to their concerns or fears of not wanting to break any of the rules set forth by this new law, or break any of the rules regarding their contract.

Finally, as a partner in writing the 2011 *Independent Budget,* AMVETS recommended all Federal agencies be required to certify their veteran status through VA's VIP Program before being awarded contracts.

Our thought process in making this suggestion was that Congress will once and for all require the use and implementation of a single-source database accessible to all Federal agencies.

We believe that there are many good programs out there. But due to lack of communication between these different programs and in our opinion duplication of efforts, our veteran business owners are the ones suffering because of this.

AMVETS strongly believes that the VA must eliminate the barriers that veterans face regarding the formation and development in their business ventures.

Madam Chair, this concludes my testimony and I will be happy to answer any questions you may have for me.

[The prepared statement of Ms. Roof appears on p. 35.]

Ms. HERSETH SANDLIN. Thank you for your testimony, Ms. Roof.

Actually, something that you had stated forms the basis for my first question for the others on the panel as it relates to the Center for Veterans Enterprise shifting to an informational and referral agency essentially.

Do any of the other individuals on the panel care to comment? Do you agree or disagree with that statement?

Mr. WEIDMAN. I would agree that it was a place to go 2 years ago for an individual veteran who needed assistance, sometimes intensively working with the individual and sometimes referring them to the right person, which is not an inconsiderable service.

But they do not even do that many times anymore because everybody is caught up with trying to play policeman as opposed to doing the crux of the job, which is to assist service-connected disabled veterans as well as other veterans to be able to find the help they need to get a viable business going.

Mr. DENNISTON. The only comment that I would add to that is that we knew all along in the Center for Veterans Enterprise you could not do business development from Washington, that that is a local issue, that you need to know about the local bankers and the accountants and the lawyers and that support network.

And our goal always was to develop partnerships with organizations like the Small Business Development Centers, the Service Corps Of Retired Executives (SCORE) Chapters, the Procurement Technical Assistance Center, so that if a veteran from anywhere in the country called, we would have someone that we could send them to in the local area who knew what the economic climate was in that area. And that had always been the goal. We never believed that we could provide business development from Washington.

Ms. HERSETH SANDLIN. Well, as a follow-up then, Mr. Denniston, during your tenure, did you emphasize the importance of developing those partnerships? Were many of those in place in certain metropolitan areas, certain regions of the country that have not been maintained as far as you are aware?

Mr. DENNISTON. I cannot speak to the maintenance, but we did have formal memorandums of understanding (MOUs) with SCORE, with the Small Business Development Centers, with the Procurement Technical Assistant Centers so that there was a very strong recognition of the importance of the growth of the Veteran Small Business Program.

I think what has happened is that CVE has been so overwhelmed by the verification program that some of those relationships may have waned.

Ms. HERSETH SANDLIN. Okay. So back then to you in terms of some other questions I have for you, Mr. Denniston, in your testimony.

If CVE becomes overwhelmed by the verification process, and I think others have talked in terms about resources and training, can you provide us more specifics about what you think the requisite resources need to be? What type of contractor support does CVE need to be successful? Finally, should the Office of CVE be formalized by statute?

I think someone had testified to the importance of a separate line item in the budget, but this is a question for any of you.

Mr. DENNISTON. I do not know that it needs to necessarily be set in statute, the office itself. I do believe that it needs a line item for the budget for the reasons that all of us on the panel have discussed.

I think that the issue of resources in the beginning when we started the verification process at CVE, we knew that the initial challenge was going to be to take care of that first bubble of applicants. At that time, I think we had 12,000 people in the database. And we always felt that we needed contractor support for that to help with the administration of the applicants themselves to do some of the site visits that we had planned.

And then the goal always was to be able to maintain that once we got over the initial hump with VA staff. And as to the resources that were going to be necessary to do that, we did not really have a firm handle on that because this was new territory for all of us, but we did make some projections as to what they should be.

And I think as I mentioned in my testimony, some of those resources were, in fact, approved about 18 months ago. To my knowledge, they have not been forthcoming and I cannot answer that.

Ms. HERSETH SANDLIN. And they were approved by the Board of Directors for——

Mr. DENNISTON. Of the Supply Fund, right.

Ms. HERSETH SANDLIN [continuing]. The Supply Fund? Okay.

Mr. WEIDMAN. We believe that it should be enacted in the statute. If it is worth doing, it is worth doing formally and it should be a line item. And we would also suggest that while they may be in charge of verification, that is not their primary role.

If you view the service-disabled veteran ownership program as a program, it needs to be built in and encouraged by VA vocational rehabilitation and perhaps some changes in that section of title 38. There is no reason why we cannot bring back the old Loan Fund that has still been on the books since 1944 for startup capital if, in fact, people have a solid business plan.

I mean, Mr. Buyer has, I think, introduced legislation to do that. And we strongly support that. And it can become a locus.

I believe that Mr. Denniston is absolutely correct. You cannot do business development in South Dakota from Washington, DC, but you darn sure can find out who are the people in South Dakota either at the Small Business Development Center, at the State Economic Development, work with the County Executive Associations, which does have an office in Washington, DC, to find out who do they have in economic development that you can send service-disabled and other veteran-owned businesses to. That should be the primary purpose.

In terms of contracting out, as I mentioned before, the veteran verification really only needs to be done once. You can double check if somebody is service-connected, but even that does not go away since there is no minimum threshold to be declared a service-connected disabled vet. Once you are service-connected, you are service-connected. It might go down to zero if your cancer goes into remission, but you are still a service-connected disabled vet.

So you only need to do that once. And, frankly, you can do that through automated comparisons of that individual to the databases already that VA has or has access to DoD through the interagency agreement.

The second part, in Veterans Integrated Services Network (VISN) 4, and we would be glad to refer the gentleman who actually is active in Vet Force who had the job of procurement in Network 4, VISN 4, and what they did was literally have Veterans Health Administration staff, which are all over the country, go out and see. They say they have X people working out of Y location. They would go out and see is it there, is it for real. And they were able to come back and, therefore, get about as much as you are going to get except from tax documents by CVE sending somebody out from Washington.

So you do not need to do that. You can do a training package and train people either out of the regional office or out of the medical centers all across the country to perform that function.

And the most important thing we would stress, however, is not putting small businesses, veteran-owned small businesses through

a bunch of rigmarole, but to VA to go after the people who perpetuate fraud and to go after the people who often are knowingly complacent on the inside with somebody being a rent-a-vet. And they should have consequences, severe negative consequences and the rest of them will start to listen up.

Ms. ROOF. If I may, Rick, you said something that has really been bothering me and a lot of our members, the hindrance of the recertification on the annual basis. We have all sat up here and said we need tougher certification processes in place. And we still all believe that, but this is not the best way to go about it.

We already have a backlog of 9 to 12 months to get original certification. So when should, if I was a service-disabled veteran, when should I reapply for my next year's certification? Three months after I apply for the first one just so I make sure there is not a gap there?

And also, it almost seems unfair that veterans are not being provided the equal protections under the law and they are made to do this extra work. So I am hoping that maybe the next panel can shed a little light on this for us of what the thought behind this recertification every year would do and how they plan on handling it because I know our membership would really like to know.

Thank you.

Ms. HERSETH SANDLIN. Any other comments on the issue raised by Mr. Weidman regarding concerns with fraud that was identified and noted in the GAO report?

Mr. DENNISTON. The only comment I would make is one that has been made before, that P.L. 109–461 has penalties and that is the personal and the corporate debarment. And we strongly agree with VVA that if someone actually goes through that process and makes examples of people that we are going to find the people that do not belong in the program are going to move quickly to get out.

Ms. HERSETH SANDLIN. Okay.

Mr. WEIDMAN. May I just mention one thing, ma'am? In the beginning, the 8(a) Program, there was no verification process or certifying process there. And when they put in the certifying process, it went from 11,000 some odd down to less than 3,000 in 2 months.

Ms. HERSETH SANDLIN. In the 8(a) Program?

Mr. WEIDMAN. In the 8(a) Program. That was more than a decade ago. And in talking with the gentleman who was Chief of Staff at that time on the Small Business Committee and it happened just like we thought it did.

Ms. HERSETH SANDLIN. Is there any recertification requirement in the 8(a) Program that you are aware of?

Mr. WEIDMAN. Is there now? Yes, ma'am. It is a very strenuous requirement.

And, you know, I do not know. Is there still fraud in like the HUBZones or in other programs, yes, there is. But the sureness and swiftness of the deterrence is that if you do it, you are going to get caught. And if you get caught, we will prosecute you to the full extent of the law just like with your people's tax returns. People will straighten out and stop misrepresenting them, number one.

Number two, it is certainly possible, we have the technology, if the Center for Veterans Enterprise was the place to go, that you knew everybody on it was at least a vet and if they have been

verified, there was significant evidence that they had ownership and control.

Before you get listed on the CCR, the Central Contracting Registry, or any other Federal database for procurement or on GSA's schedule and claim that you are a veteran-owned business or service-disabled veteran-owned business, you could not claim those two categories unless you have gone to the VIP and been verified first. That is easy to set up electronically.

And if VA does not have the horses, there are lots of folks in this town and across the country in information technology who would be glad to contract with them to show them how, including some service-disabled veteran-owned businesses, I may add, ma'am.

Ms. HERSETH SANDLIN. I have some additional questions for Mr. Daley and Mr. Sharpe, I have gone over my time, so I will recognize the Ranking Member for his questions.

Mr. BOOZMAN. Thank you, Madam Chair.

Mr. Denniston, CVE is funded through nonappropriated funds from VA's Supply Fund, which gets its dollars from VA's franchising operations.

Can you tell us about the process that is involved in that or can you expand on that?

Mr. DENNISTON. The process for the CVE budget?

Mr. BOOZMAN. Yes, sir.

Mr. DENNISTON. Once a year, at least when I was at VA, once a year, the Supply Fund Board would meet and the programs that were funded by the Supply Fund, which was the Acquisition Program at VA, the Inspector General's Office that deals with procurement fraud and the Office of Small Business would make presentations to the Supply Fund Board of Directors as to what we believed our resource level was going to be for the next year. And we would have an opportunity to make a presentation and justification and then the Board would either vote up or down for that.

Mr. BOOZMAN. Who is on the Board?

Mr. DENNISTON. The Board is Chaired, at least it was, by the Assistant Secretary for Management. And the Office of Acquisition Management, Veterans Health Administration, Veterans Benefits Administration, National Cemetery Administration, and General Counsel were the voting members.

Mr. BOOZMAN. Okay. Very good.

Can you expand, Rick, on the comments you made about regarding the arbitrary and artificial limit of allowing the veterans to just list one business in the database and maybe comment on, you know, if you can find any indication that that was either in the law or Congressional intent?

Mr. WEIDMAN. There was never any discussion of limiting it to only one business. It is not a business development program. They got this idea apparently from talking to SBA staff who run the 8(a) Program.

The 8(a) Program, there is significant assistance of every sort to help them get contracts, to help them get organized, which flat does not exist for service-disabled veteran-owned businesses.

And it is basically a deal you make with the SBA that I am willing for 10 years to put up with you, this level of actually seceding of control to some degree to people at SBA because I know that I

will get these contracts and this other assistance. That does not exist for SDVOBs, number one.

Number two, there is no delimiting date on being a service-disabled veteran business owner, you know. And hopefully the young people who are serving in this war who go into business when they get back into civilian life will be SDVOBs for the next 40 years and that would be great. So there is no delimiting date. It is artificial for the reasons I named.

Let me give you an example of one of our very active folks in the veterans' business community who does basically three different activities, his firm. They do business to business in the private sector. They do business with Federal agencies. Most of it is quote, unquote soft services and organizing, processing of various things. And then he does a lot of stuff in black ops.

He has three separate corporations. The business to business stuff has different needs than the Federal stuff for the non-requiring of top secret TC clearance. For the black ops, everybody, everybody, including the janitors, have to be top secret TC clearance and you have to pay those people more even to clean the restrooms.

So that is why it is a whole separate company instead of having people basically doing the same work, getting paid differential amounts, working side by side which causes morale problems. So there is a real good reason why he has three separate corporations all working under the same roof.

Incidentally, this is a very strong fellow who is a good manager and one tough former Marine grunt, service-connected combat disabled. I can assure you he is in control of all three businesses at all times even though he may not be on premises at all times.

Mr. BOOZMAN. Thank you, Madam Chair.

Ms. HERSETH SANDLIN. Thank you, Mr. Boozman.

Mr. Daley, a quick question. In your testimony, you stated that when individuals call or e-mail the Center for Veterans Enterprise, there is sometimes no response; and, therefore, it becomes difficult to check the status of the application.

In your opinion, is staffing sort of the critical problem here or is the office being mismanaged?

Mr. DALEY. That is a very good question. It could be staffing or it could be mismanaged. I really cannot say. All I hear is complaints from the veterans that have tried to communicate and there is no communication. A veteran said periodically somebody will accidentally pick up a phone and say I want to check on my verification. The veteran will but they cannot tell you anything about your application. I was speaking with somebody that sent in the application in early September and he called 3 months later to ask, where is it. They could not get information from anybody.

He said at least if they could tell you, well, 2 more months we will have it done. Nobody talks to you. There is no communication. They do not return e-mails. And that must be frustrating for the business owner.

Ms. HERSETH SANDLIN. Mr. Sharpe, in your testimony, you state that qualifications of CVE staff is questionable, and I think you had mentioned the lack of technical assistance that is available.

Is this a comparison of folks that were there and how the office operated about 2 years ago versus what you are aware veterans are experiencing today? If you could elaborate on the past experience or current knowledge you have to make that statement.

Mr. SHARPE. Well, currently the American Legion does not have a resolution on CVE, so most of our testimony is based on talking with many of our Business Task Force members.

And what they have told us in the last couple of days, it appears that within the last year or so, but I have to tell you that there is a great deal of anger toward CVE. I was really surprised how angry a lot of these business owners are. They feel that it is both, that it is mismanagement and underfunding and training. They are complaining of the same things.

If they have a problem, they cannot get an answer. If they do connect with someone, the individual does not seem to have the knowledge or the background to assist them. The tools that they need as far as the Web site are inefficient for them. They are really angry with the new rules as far as trying to register. If it takes them a year to register their business and then they have to be reclassified or recertified, you know, they just do not understand that. They are angry about the fact that if they have more than one business, you know, they can only do one at a time and they have to be at that particular business 24 hours or whatever. They feel that CVE is just not doing the job that they had hoped. If they have a problem with VA, they want to go to CVE and get some sort of answers.

Now, I have personally witnessed a couple of meetings with VA officials in the last year or so with these individuals and none of their questions or concerns were cleared up. I was just surprised at the amount of anger and hostility that I have gotten from these individuals for the last couple of days.

Ms. HERSETH SANDLIN. Well, thank you for your responses to our questions and for your testimony. And, thank you for your continued service on behalf of our Nation's veterans.

We look forward to working with you as we follow-up with the concerns that you have expressed and the recommendations that you have made. Again, we will look forward to working closely with you to make improvements that are necessary.

I would now like to invite panel two to the witness table. Joining us on our second panel of witnesses is Mr. Tim Foreman, Executive Director of the Office of Small and Disadvantaged Business Utilization in the U.S. Department of Veterans Affairs.

Mr. Foreman is accompanied by Ms. Iris Cooper, Associate Deputy Assistant Secretary for Acquisition, Office of Acquisition, Logistics, and Construction, and Ms. Phillipa Anderson, Assistant General Counsel, Government Contracts, Real Property, and Environmental Law Group, Office of General Counsel for the U.S. Department of Veterans Affairs.

I welcome you all to the Subcommittee.

And we look forward to your testimony, Mr. Foreman. And your written statement is made part of our hearing record and so we will recognize you now for 5 minutes.

STATEMENT OF TIM J. FOREMAN, EXECUTIVE DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY IRIS COOPER, ASSOCIATE DEPUTY ASSISTANT SECRETARY FOR ACQUISITION, OFFICE OF ACQUISITION, LOGISTICS, AND CONSTRUCTION, U.S. DEPARTMENT OF VETERANS AFFAIRS; AND PHILLIPA ANDERSON, ASSISTANT GENERAL COUNSEL, GOVERNMENT CONTRACTS, REAL PROPERTY, AND ENVIRONMENTAL LAW GROUP, OFFICE OF GENERAL COUNSEL, U.S. DEPARTMENT OF VETERANS AFFAIRS

Mr. FOREMAN. Members of the Subcommittee, good afternoon. Thank you for convening this hearing to discuss the issues pertaining to VA's Center for Veterans Enterprise, CVE.

I am accompanied today by Ms. Cooper, the Associate Deputy Assistant Secretary of Acquisition to my right and Ms. Anderson, VA Assistant General Counsel to my left.

We are pleased to represent Secretary Shinseki and the veterans that do business with VA. Our CVE has become a central point for agencies, contractors, and veterans for support of veteran business-owned programs at the VA. CVE Verification Program is our first line of defense to ensure the integrity of these efforts.

VA is strongly committed to identifying, eliminating, and pursuing fraud wherever it appears in the veteran-owned small business program. As Director, I take personal responsibility for critical small business programs at the Department.

While I am relatively new in my position, I have over 30 years of small business program experience and over 38 years of government experience. I am a passionate veteran program supporter. I am the one belly button to push and if there are any problems, please come and see me.

VA believes that legitimate veteran businesses are authorized under this program and they should have few barriers to doing business with VA. I believe that other businesses that use fraudulent means to garner contracts under the auspices of the Veteran Business Program are in effect stealing valor from those who have legitimately earned that veteran privilege.

The CVE maintains the vetbiz.gov Web portal which hosts the Vendor Information Pages or VIP database for veteran-owned small businesses. The database allows VA to compile a list of service-disabled veteran-owned businesses.

The core mission of CVE is to improve the business climate for veterans, minimize barriers to access or, as I say, barriers to entry, and to inform the public about the benefits of working with veteran-owned business, small businesses.

Our verification program is a vital part of the Veteran Business First Procurement Program. VA's unique procurement legislation gives priority to certain veteran-owned small businesses over all other types of businesses within our Department.

In 2009, our contractor recommended a plan to automate a large part of the verification process and to ensure that specific business documents are included in our examination to make better decisions and informed decisions for a recommendation, either approval

or denial. These two recommendations will eliminate hundreds of staff hours and the data entry problems that go with that.

Our reliance on publicly available information through documentation has also been a problem. This will eliminate that. Where we had previously only requested these documents when some question about the ownership and control of the business came into question, we will now require those documents to be submitted as part of the application process for all veteran-owned businesses.

CVE's improvement will be phased in and affect all aspects of the verification program, including its application process, on-site visits, prioritization of applications, veteran contractors, offerors, and subcontractors.

We have recently changed the priority makeup. Our concern is we want to have as many legitimate service-disabled veterans participate. So we developed a new priority.

The first priority goes to VA contractors, service-disabled veterans and veterans that are currently doing business.

Our second priority is for any service-disabled veteran-owned small business that is in line for a contract. That goes second.

Third priority would be prime contractors requesting assistance and verification of service-disabled veterans and veterans to do business as subcontractors.

Fourth, we go back to the First-In-First Out (FIFO). I kind of started out in the FIFO when I first started and I put that in. So those are the four basic preferences for how we do business from now on.

VA's action will ensure that contract awards under the program will only be made to eligible veteran-owned businesses. VA's contractors and offerors in line for contract awards will receive expedited processing.

It is our current practice to remove from public view any business that has been determined or denied verification and to remove any business that is found ineligible as the result of a negative finding resulting from a protest decision or an appeal.

Last year, VA made conforming changes to the Veterans Affairs' Acquisition Regulation and as we call it, the VAAR. It establishes that businesses may be listed in the VIP database until December 31st, 2011, after which they must be officially verified in order to be eligible for sole-source awards, set-aside awards under the priorities authorized under Public Law 109–461 or have a VA prime contractor receive a subcontracting credit for such an award.

Our objective is to ensure that businesses that benefit from sole-source and set-aside awards are eligible to receive them. We will not compromise the quality of our exam process in accordance with the VAAR. Until an effective date is reached, it must be continued to allow businesses that have yet to be verified to remain in the database.

Reducing performance fraud has several components. Raising awareness of the problem is a start. Providing training for the acquisition corps and business owners is also important.

Certain concerns about pass-throughs and fronts are not limited to the VA Veterans First Program. It appears in other programs. As the Executive Director for the VA OSDBU Office, I intend to be

a champion for the issue of eliminating fraud at every point and I will speak on it often.

Madam Chairwoman, thank you for convening today's hearing. I request that my written statement be submitted for the record. I welcome your interest and I am prepared to answer your questions. Thank you.

[The prepared statement of Mr. Foreman appears on p. 37.]

Ms. HERSETH SANDLIN. Thank you, Mr. Foreman.

When did you formally take over this position?

Mr. FOREMAN. About 7 weeks ago.

Ms. HERSETH SANDLIN. Were you with the Department of Defense before that?

Mr. FOREMAN. That is correct. And I did retire from the Department of Defense, but people approached me before I retired and said are you interested. I said I have a passion for this program. I know the vets. I have worked with them and I have many friends. I am a veteran.

Ms. HERSETH SANDLIN. So what are your initial thoughts about some of the testimony you heard in the first panel?

Mr. FOREMAN. Well, some of them I happen to believe are true.

Ms. HERSETH SANDLIN. Do you agree that there may be an unreasonable limit on one business being listed?

Mr. FOREMAN. I am sorry?

Ms. HERSETH SANDLIN. Do you agree with the general sentiment of the first panel that it is unduly restrictive to only allow one business to be listed by a service-connected disabled veteran?

Mr. FOREMAN. You know, when I read that, before I ever talked to anybody, it was just by myself and I went through that and I questioned right then and there because I own a business. I inherited a business. And I have seven brothers. None of them want to do any business with it, so they gave it to me. I am 500 miles away running a golf course. I am not there full time, but I hire, I fire. I do policy. I work with the advertising. I work with the lawyers.

Ms. HERSETH SANDLIN. You have effective control?

Mr. FOREMAN. So I have effective control and I am not there. If you want me to be wearing an apron and flipping burgers out on the 18th hole, well, that is a different issue. I think that is a little bit tight. So that is just a personal opinion.

I tell you I do have a great staff. I mean, the energy is there, the passion is there. The brains are there. What I think I need to do is bring some things together and I think I can make it happen.

We have already started hiring three new people for the Center of Veterans Enterprise, so that has happened. I brought in one person so far. We have another one that might come in and I am trying to hire a third. So both sides of the house are growing.

The limitation at this point is not the people, it is where we are going to put them. And so we are in the process of trying to develop a space where I can bring both the CVE and the OSDBU offices together. We have the 1102s. They do not have 1102s. They have other people. We have contracting experience. I think that would help.

Ms. HERSETH SANDLIN. Well, I think there are some interesting things going on. You know the position that you have now was not filled for over a year.

It seems from the testimony of the first panel that some of the problems that people started to notice as it relates to expectations that had developed, or expectations of what was going to happen going forward, was that there was a falling short of those expectations during a time of transition for CVE.

Could you respond to a point that I believe Mr. Weidman made about CVE? You commented on how dedicated and energized the staff you currently have is, as well as those that you hope to bring on and how you focus their efforts. Do you agree with the sense that they have become a bit overwhelmed, that the focus has been more on enforcement, and that everyone is playing the policeman versus focusing on the technical assistance. Should the enforcement be in the Office of the Inspector General as it relates to what was documented in the GAO report?

Mr. FOREMAN. And I do believe there are certain things that we need to change over in that organization. It is just going to happen over time. Part of it is me sitting down with the people, picking the best brains that I can, seeing where they want to go.

I believe the law of physics applies here. We want to keep the barriers to entry as low as possible. We want legitimate service-disabled veterans and veterans to be able to participate.

Unfortunately, when you raise that bar high enough to ensure that the bad players do not play, get them out. Now, one of the statements made earlier was why don't we use suspension and debarment. We concurred in a letter recently to the General Counsel's Office to let us stand up our Debarment Committee again.

I am not sure how that is going to play out as far as the contractors, the 10 that were noted in the GAO report. I have talked to the OIG and they tell me I am not supposed to talk about it. So, you know, I am kind of caught on that issue.

We are going to turn over to the OIG anybody we turn down, any veteran that is fraudulent in status. In other words, there is a difference between status and process fraud.

In status fraud, you are not a veteran and you claim to be. You are not a service-disabled veteran and you claim to be or you are a veteran who was dishonorably discharged and you claim to be eligible. Those are considered status frauds, or you did not own the majority of the company. That is also status fraud.

Performance fraud is where you subcontract out 100 percent, sometimes not even to a U.S. firm. Those are considered the real fronts. It is hard to get some of those things taken care of and I understand there is a little bit—you are never going to get 100 percent, but we can certainly do better. We can certainly be faster.

One of the things I suggested to CVE right away, I said why are you doing a hundred percent quality assurance review. Don't you know who the people are that are doing this that are having problems? Are you not logging those particular problems? They are doing that now. They are starting to log where the problems are appearing and who has them, what person within their staff are with the contractor.

Ms. HERSETH SANDLIN. Do you anticipate other steps that you have started to take over the last few weeks since you have been on board that are going to improve the amount of time it takes for the applications coming in?

Clearly it is a concern if there is a 12-month backlog as was stated. Any thoughts on the recertification requirement on an annual level or thoughts on this problem of any response or adequate response?

If what is causing a lot of the anger and frustration is that people cannot even get answers to the status of their application, then that is part of the broader issue of how long it is taking.

Then another question before I recognize Mr. Boozman, are you aware of the memorandum of understanding that Mr. Denniston talked about that they had developed during his tenure; is that still in effect?

I know those are three different questions I just threw at you. But, I think it is important since you have just come on board to not only know where those MOUs are, if they are still in effect, and how to broaden the scope of those, but also to know this problem with lack of response. I even forgot my first question.

Mr. FOREMAN. I think I forgot all three of them, but I will try as best I can to answer the ones that I know.

One of the issues is do we have memorandum of agreements or partnership agreements. We do have one with the SBA through the Office of the Small and Disadvantaged Business Utilization.

We do have very close relationships. Procurement Technical Assistance Centers (PTACs) are my friends. I spoke at their annual conference almost every year when I was in the Navy and sometimes when I was in OSD in the Small Business Program Office and now here. I try to speak to those. There are about four or five groups I try to talk to on a regular basis, one being the PTACs. They are funded through DoD, through Defense Logistics Agency, and there are about 92 to 95 of those throughout the country. That is good spread of information.

The Small Business Development Centers, maybe not quite as high a level, at least that is what the PTACs tell me, but they do a good job in training businesses.

I know the Secretary has mentioned in what we call ELB, Executive Leadership Board, which I am a part of, and I meet weekly with them, and all the key players are, but he is concerned that the servicemembers themselves, the men and women getting out of the service sometimes do not have a strategy for where to go. It is not that he is against that. He is concerned that they have a strategy, that they are trained, that they are given options.

So I thought that was rather insightful. And he brings a certain energy of integrity, which I really enjoy. That kind of—I lost my train of thought. I have to get back on it. We are doing a lot of things, I think, to help.

I think that taking the quality assurance people and saying do a statistical sample once you know what the problems are and who the problems are with. One of the problems is the contractor that is doing the reviews, they do not do as many or at the same quality as our own people. A lot of our people do telecommute. That is fine for getting stuff done. It is very measurable. The output is there. You can measure. It is good. The problem is who is there to answer the phones.

I have also commented to the folks about the Web page. I was not thrilled with the Web page. I want to be able to find each individual's phone number, name, what they do.

As far as being responsive, the group itself is very, very responsive. I have been ecstatic with the support and the energy. I just think there needs to be some direction.

Ms. HERSETH SANDLIN. The last question I now remember is the recertification——

Mr. FOREMAN. Oh, the——

Ms. HERSETH SANDLIN [continuing]. Requirement on an annual basis.

Mr. FOREMAN. My thought is it is similar to the CCR, the Centralized Contractor Registration database. They require a recertification every year. That can be simplified. It is not a resubmission. It is simply, yes, my status has not changed or, no, my status has changed to this and here is the information you need in order to recertify me. It should not be a big drawn out thing. And the automation part is great.

The one thing I recommended is we develop what we call dashboards so when the veteran would go into our Web site, automatically they would do it all over the net. When they put in a bad Social Security, it bounced back to them red, wrong Social Security, or if something else was done, it would—it would take a while to develop, it would probably take a year, but—and my experience with databases has not been the greatest. I have been in the government too long to see them come out right, but I think it can really work.

And I think in today's age, we have enough service-disabled vets, by the way, and, by the way, two of our contractors, the only contractors we have working with CVE are both service disabled.

Ms. HERSETH SANDLIN. Thank you, Mr. Foreman.

Mr. Boozman.

Mr. BOOZMAN. Thank you, Madam Chair.

At the current rate of verification, how many years will it take to verify all the businesses listed in the database?

Mr. FOREMAN. Probably 2 years. We have a growing backlog to the tune of anywhere between 400 and 500 a month, a growing backlog we usually get out at the current rate at about 300 a month. We have been getting anywhere from 800 to 700 a month. So it is growing.

And I suspect with some of the new requirements on service-disabled veterans that we have now made automatic, that will continue to grow. That is not a bad thing, but we have to have a strategy and a plan to make it work quicker.

Mr. BOOZMAN. So you are getting, how many did you say, 700 or 800 a month, and then you are able to clear out 300 hundred?

Mr. FOREMAN. Yes, sir.

Mr. BOOZMAN. So you are never going to get there.

Mr. FOREMAN. Well, hopefully what is going to happen, and we thought about this, one of the thoughts, well, you know, ramp up our own production, but there is going to be a period when it is going to break down. We do not know where that is. And I would lie to you if I told you I knew because I do not know. But I know we can do better. I know we can do quicker. I think automation is

part of the answer. I think being responsive and responsible to people calling in.

Oh, the other thing with the automated system that I liked is the fact that you can go into it to see where it is just like the delivery when you buy something over the internet and you get the—now, I have never been—I have bought things over the internet, but I have never used it, so I do not know how it works.

But they say it will tell you where, track where it is. Are you with a verifier? Are you with a quality assurance review? Has it been rejected or is it missing pieces of information? This should be helpful and at least provide the information our men and women who have gotten out of the uniform need to have.

Mr. BOOZMAN. It might be helpful then periodically if you could update us on, maybe give us a table on where we are at now as a baseline and then how we see that changing in the future we have the—it sounds like without significant modification that we are going to—again, we are never going to get there. But like I said, that would be helpful if you would get to our staffs kind of what is going on.

VA has stated they have awarded about 14 percent of contract dollars with veteran and disabled-owned businesses. Is that 14 percent of all contracting dollars or just those made under open market purchases?

[Chart]

Mr. FOREMAN. I am glad you asked that and I did go get the charts before I came.

Actually, that is total awards and it is a little bit more—and I just have to make sure I get to the right chart. In 2009, service-disabled veterans received $2.3 billion or 16.3 percent and that is of total awards. And we were up from the year before where we were at 12 percent and the year before that, we were at seven. The year before that, we were at 3.4. So we have been growing steady and I hope to continue. And I will be surprised if we do not.

Mr. BOOZMAN. Does that include the Federal Supply Schedule?

Mr. FOREMAN. I believe it does, but I will turn to my acquisition professional.

Ms. COOPER. I really do not have all the details with me, so I will have to take that for the record to give you a comprehensive answer. And I will do that.

Mr. BOOZMAN. What would you guess?

Ms. COOPER. I would not think it does, but I will have to verify that. I hate to guess. So I will take that question.

[The VA provided the information in the response to Question #3 from Mr. Boozman's Post-Hearing Questions and Responses for the Record,which appears on p. 52.]

Mr. BOOZMAN. Thank you very much.

Thank you, Madam Chair.

Ms. HERSETH SANDLIN. Thank you, Mr. Boozman.

The automation that you are referring to, how many more staff will the VA hire to implement the recommendations to make this automation for the application process and the specific documents that will be required? What is the plan here in terms of hires, training, and when will those new systems be ready?

Mr. FOREMAN. The fact that the automation will probably be a contracted out issue, we will probably try to go to those service-disabled veteran firms that are pretty good in that field as we also need to do that in the Web site.

I did the same thing when I worked for the Department of the Navy as the Director for Small Businesses. There I changed the Web site. I was not happy. It was not robust enough, not enough good information.

And, of course, the problem with all data Web sites is staleness of information. If things get old, people stop looking. You have to make it useful and you have to stay on top of it. You almost need three contracts, one to evaluate your needs, one to develop it, and one to refresh it.

Ms. HERSETH SANDLIN. So does CVE have the funds necessary in their——

Mr. FOREMAN. Right now——

Ms. HERSETH SANDLIN [continuing]. Fiscal year 2010 budget to do the contract that would be necessary to do the automation?

Mr. FOREMAN. Right now, Madam Chairwoman, we have money to do that. We have money to go forward. I am not sure about—you know, when I initially walked in the job, I thought we need appropriations, we really do. Now I am not so sure.

I will see how this works out. Give me a few months and I will come back and tell you how it is working out. I think things are going good. I have the right to spend money. Nobody has gotten in my way. I have the right to hire people and I need new office space.

I would like to bring two of them together because physically I am about 17 blocks apart, a bit hard to walk, and then I have to walk to the headquarters, which is another seven blocks, maybe nine, so I am getting a lot of walking.

Ms. HERSETH SANDLIN. Well, I think the Ranking Member would agree since you have been on board 7 weeks, we are more than happy to give you a little bit of time. I do not know if we want to give you a few months.

Mr. FOREMAN. Yeah.

Ms. HERSETH SANDLIN. We have the fiscal year 2011 budget and we want to be helpful. We want to work with you so that you have the resources in order to meet the goals that you have in light of the backlog that you are faced with.

We will follow-up with our counsel and our staff as we delve into your taking a closer look at what you currently have within the 2010 dollars.

Keep us apprised just as the Ranking Member requested, not necessarily through our formal hearings always, but the progress you are making, the timetable of dealing with the applications that are part of this backlog. Also, there are some questions that we may have as follow-up, which are more specific on the resources side and the timetable of contracting out to one of our service-connected disabled veteran-owned businesses who could do the automation that would facilitate a more efficient system.

The first question I posed in terms of this restriction on only one business, that a part of this broader issue of the newly published verification rules.

Based on your response to that question, you may not be entirely comfortable that it provides sufficient flexibility. Do you think that they provide sufficient guidance?

Mr. FOREMAN. One more time just what the essence of the question was.

Ms. HERSETH SANDLIN. Since you are new to this position, how are you going to address what I think we recognize may be some unduly restrictive elements of the recently published rule?

Mr. FOREMAN. The throwing the baby out with the bath water, I think that is the way I would term it. I was a little taken aback by some of it.

And I will have to say, and just overhearing the OIG talk about it, they thought that was a wonderful thing, and I kept in the back my mind, I kept seeing red tape being wrapped around this thing until you got a fence so high, you have one vet that makes it. We do not want that.

Ms. HERSETH SANDLIN. Do you think, Mr. Foreman, that in the conversations that you have had or discussions you have had—in your thus far, short tenure in this position—anything related to Mr. Weidman's point? How about issues generated from these conversations with the SBA and how they administer the 8(a) Program and the different types of resources and assistance available there through the SBA versus what CVE was providing. Sort of what the mission and intent of that to be for veterans?

Mr. FOREMAN. It seems to me there are two different agencies trying to do the same thing at the same time and some of them do it better or worse.

You know, there are good people that work over in the SBA and I have no qualms about that at all. My people are great. They are trying to do everything they can.

I just do not want to see the government go into bad government, wasting money following maybe a failed path of somebody else. I want to see things done right. I want to make it happen and I want to see it before I pass away. And I think I can.

I think I will have a major impact. I think with your help, Madam Chairwoman, Mr. Boozman, that would be terrific. I look forward to your help and I will work with your staffs.

Ms. HERSETH SANDLIN. Mr. Boozman, any final questions?

Mr. BOOZMAN. No. I think you covered it. I was also concerned about the budget, but I think that you covered that.

So thank you all for being here very, very much.

Mr. FOREMAN. Thank you.

Ms. HERSETH SANDLIN. Just one last question and I know you are going to do some checking as it relates to the numbers that you gave us and the Ranking Member's question about whether or not those figures are included the Federal Supply Schedule.

In your opinion, should the Federal Supply Schedule include set-asides?

Mr. FOREMAN. In my opinion, yes.

Ms. HERSETH SANDLIN. Well, Mr. Foreman, I am really glad you are on board. I appreciate your candor, your experience, the perspective that you have brought to this very important hearing, your response to our questions, and your desire to work with us, and to

work closely with our dedicated counsel and staff of the Subcommittee.

Clearly based on your willingness to listen and to recognize some of the concerns that our veterans service organizations raised in the first panel, I think you are going to have some good partnerships. Probably some of those that had developed in your prior capacity over with the Department of Defense can assist in improving the reputation of the CVE in the minds of the folks who have been struggling with some problems before you came on board and the vacancy of the lack of leadership at the top. That is so necessary to bring back the focus, the vision, and implementing the mission of the Center for Veterans Enterprise and the dedicated people that you are working with there and the leadership that they need to effectively allocate the resources that you have been given and perhaps some of the additional resources that may be necessary as we go forward.

I thank you very much again for your testimony, your service to our country and your service to our Nation's veterans in your current capacity now as Executive Director of the Center for Veterans Enterprise.

I am sure we can all agree that more can be done to provide our Nation's veterans with services and opportunities for their small businesses; and particularly to help their desire to succeed in a challenging economy and the importance of bringing down barriers at any time, in light of the slow economic recovery that we find ourselves in.

Our Subcommittee is going to continue to focus on that goal. We will continue to look for opportunities to advance legislation that helps veterans succeed economically and to ensure adequate resources to the types of programs and initiatives that our Subcommittee and the full Committee have undertaken over the past number of years.

Again, I look forward to hearing more about how the VA will address some of the concerns raised in today's hearing.

I appreciate the comments of the other stakeholders who testified here today. There is a strong commitment among everyone in the room to advance the interests of our Nation's veterans. Again, we will work closely together. Thank you very much.

The hearing stands adjourned.

[Whereupon, at 3:09 p.m., the Subcommittee was adjourned.]

APPENDIX

Prepared Statement of Hon. Stephanie Herseth Sandlin, Chairwoman, Subcommittee on Economic Opportunity

Today's hearing will provide veteran service organizations the opportunity to highlight issues of concern regarding responsibilities that fall under the Center for Veterans Enterprise. Furthermore, today's hearing will afford the recently appointed executive director of the Office of Small and Disadvantaged Business Utilization with the opportunity to hear from the veterans' community and provide the Subcommittee an update on matters relating to the Center for Veterans Enterprise.

As many of our witnesses will testify, small businesses are an essential component to a strong economy. This Subcommittee has held several hearings on the challenges faced by our Nation's veterans seeking to start and develop a small business. We have also heard from many members of the National Guard and Reserve components who find it challenging to maintain their small businesses when called to active duty.

I want to assure our panelists that this Subcommittee will continue to work to remove barriers that prevent veterans from accessing the services that may help them succeed in their small business venture. Furthermore, I welcome the Department of Veterans Affairs' incoming executive director who will oversee the Center for Veterans Enterprise. I look forward to hearing more about how Mr. Foreman's leadership will enforce current laws and meet the needs of veteran owned small businesses in a challenging economy.

Prepared Statement of Hon. John Boozman, Ranking Republican Member, Subcommittee on Economic Opportunity

Good afternoon.

Madame Chair, you and I first worked on creating additional tools for VA to meet and exceed the contracting goals for disabled veteran-owned small business in the 109th Congress. The result of our efforts culminated in sections 502 and 503 of Public Law 109–461. I believe it is fair to say the passage of that law was greeted very favorably by veteran small business owners.

Unfortunately, VA has dragged its feet on properly implementing at least one very important provision of that law, and that is establishing a database of veteran and disabled veteran-owned small businesses whose status as a veteran-owned small business has been verified by the VA. In other words, the only companies that should be viewed by someone searching the database are those which have been vetted by VA. Unfortunately, that is not the case.

As you can see on the monitors, we have accessed VA's Vendor Information Pages database of veteran-owned businesses. Although the law clearly limits the businesses listed in the database to those whose veteran-owned status has been validated by VA, the monitor clearly shows businesses that have not been validated.

VA staff have pointed out that the little wreath logo notes a VA-certified veteran-owned small business. I don't know about you, but I do not view that as satisfactory to separate the verified from the unverified. First of all there is no legend that defines the symbol as meaning the company has been verified. For example, on the screen shown here, 7 of the 10 businesses listed have not been verified. Additionally, it appears the database is also searchable for other set aside groups such as HUBZONE or 8(a).

The intent of creating the database was to provide VA contracting officers and other Federal agencies seeking to contract with real veteran-owned businesses a source that could be trusted. Whether a business self-certifies that it is veteran-owned, while VA is doing its homework on the business, it should not be listed.

Finally, as I said, Madame Chair, we started working on this in 2006 and it is now over 3 years since passage of Public Law 109–461. It appears to me that just like everything else VA touches, it literally takes them years to comply with what Congress and the President has told them to do. VA has presented Congress with four budgets since these provisions became law and to my knowledge, not one of those budgets requested any additional resources to comply with the law.

As a result, as GAO has reported extensively, companies falsely representing themselves as veteran and disabled veteran-owned have stolen millions of dollars in contracts from real veteran-owned small businesses. I believe if VA had implemented the law expeditiously and in accordance with Congressional intent, those millions in taxpayer dollars would be in the coffers of real veteran-owned businesses. And the icing on the cake is that some of the businesses identified as fraudulent are still doing business with VA despite the Secretary's authority to debar them. So what I want to hear from VA today is that they are going to get this mess cleaned up . . . yesterday.

Finally Madam Chair, I ask unanimous consent to have a submission by the International Franchise Association made part of the record.

I yield back.

Prepared Statement of Scott Denniston, Director of Programs, National Veteran-Owned Business Association

Chairwoman Herseth Sandlin, Ranking Member Boozman, Committee Members and staff. Thank you for the opportunity to testify today on the Department of Veterans Affairs, Center for Veterans Enterprise. I am Scott Denniston; President of the Scott Group of Virginia, LLC, representing one of my clients, the National Veteran Owned Business Association (NaVOBA), and it's over 2,000 veteran small business owners across this great country. I would ask that my formal testimony be submitted for the record.

Your letter of invitation asked me to discuss CVE's practices, priorities, and effectiveness, including VA's implementation of Public Law 109–461, especially the Department's progress in implementing the database required by P.L. 109–461, as well as its methods to approve veteran owned small businesses. In the interest of full disclosure, I must tell you that I had the pleasure of establishing the CVE after the passage of P.L. 106–50 while the Director of Small Business Programs at VA. In my entire 38 year career with the Federal Government, I have never worked with a more knowledgeable, dedicated, and passionate group of people. CVE is one of the most "entrepreneurial" organizations in the Government.

P.L. 106–50 established a Government-wide goal of 3 percent of prime and subcontracts be awarded to small businesses owned and controlled by service connected disabled veterans (SDVOSB). The law quite frankly did not provide guidance or mechanisms to achieve the goal. We at VA, realizing that there needed to be an organization to bring service disabled veteran owned small businesses and the Federal agency and prime contracting communities together embarked on developing such an organization, and the Center for Veterans Enterprise was created.

In the beginning we heard all the excuses from the contracting community as to why the goal could not be met: we don't know the rules, we can't find SDVOSBs to contract with, the firms are not knowledgeable of Federal acquisition rules, etc. The CVE addressed each excuse head on. CVE, with the help of some SDVOSBs conducted focus groups of concerned individuals in the SDVOSB community and Federal and prime contracting communities. We developed program marketing material and began an aggressive outreach program. The Vendor Information Pages (VIP) database was established to address the identification issue. VIP was established based on the needs of the identified users. The National Veterans Business Conference was established as an annual event. The conference has grown from 300 to over 3,000 participants in just 5 years! CVE entered into agreements with the Association of Procurement and Technical Assistance Centers (PTACs) to train SDVOSBs in doing business with the Federal Government. CVE indentified "advocates" in every Federal agency and most prime contractors to help SDVOSBs connect with their organizations. CVE started the Annual Champions of Veteran Enterprise Awards program to recognize Federal agencies, prime contractors and SDVOSBs themselves for outstanding achievements. CVE in the previous Administration worked to bring accountability to the program which resulted in Executive Order 13360. CVE was instrumental in establishing with the International Franchise Association the very success VETFRAN program which has helped over 2,000 veterans open franchises with reduced fees or additional support since 2002. Quite

frankly, CVE became the "go-to" organization for veterans wanting to establish or expand a small business in this country.

Unfortunately, the CVE has become a victim of its own success, and I would suggest the veteran entrepreneurship program has not been embraced by VA from an institutional perspective. There is no doubt that VA has lead the Government in meeting the 3 percent goal and should be commended for that! Much of VA's success I believe is due to the work of the CVE. Unfortunately as the role of CVE has expanded due to the demands of P.L. 109–461, the requisite resources and contractor support necessary to effectively carry out the mandates have not been forth coming. CVE is funded from an internal revolving fund called the VA Supply Fund. The Supply Fund is controlled by a board of directors. Over 18 months ago, this group approved a significant expansion to the resources dedicated to CVE, but unfortunately these resources have not been forthcoming. Likewise, contractor support to address the verification process took over a year to get under contract. It is time CVE becomes a line item in the VA budget to insure appropriate resources are justified and forthcoming.

NaVOBA differs with what we understand is the position of this Committee that the CVE database should only include "verified" firms. The database was established to support all Federal agencies and prime contractors in identifying SDVOSBs and veteran owned small businesses (VOSBs) to assist in achieving the 3 percent goal mandated in P.L. 106–50. The verification process required by P.L. 109–461 only applies to VA. CVE identifies in the VIP database those firms who have in fact been verified. If only verified firms appear in VIP the number of firms available to government and prime contractors would shrink from over 15,000 to around 2,500 firms. This would substantially hurt the government-wide SDVOSB program in our opinion. We understand and share this Committee's concern about fraud, waste and abuse in the SDVOSB program identified in the recent GAO report and believe strongly that the verification requirement for SDVOSBs and VOSBs should be made government-wide.

NaVOBA shares the concerns of others in the veteran small business community that VA's verification process is burdensome, overbearing and so untimely as to cause serious financial strain on many SDVOSBs and VOSBs. Some of our members share stories and frustrations of the process taking over 6 months to complete with the veteran applicant never being told where his/her application is in the process. CVE must do a better job communicating with the veterans it was formed to serve. We understand there is some discussion in Congress of moving the SDVOSB and VOSB verification program to the Small Business Administration. NaVOBA is staunchly opposed to such a move. Only VA can verify if an individual is a veteran or has a service connected disability. SBA has consistently over the years been criticized by GAO for their administration of the 8a, small disadvantaged business, and HUB Zone programs. Significant resources have been expended by VA to establish the verification program. We would rather work with VA to refine and improve the current process rather than start over at an agency with a history of questionable program administration. Our position is contingent on VA providing CVE with adequate resources to administer the verification program.

NaVOBA has reviewed and commented on VA's final rule implementing P.L. 109–461, published on February 8th, 2010. We do not support VA's position that verification is an annual requirement. CVE cannot keep up with the burdens of initial verification applications, how will they ever keep up with an annual requirement? This is also burdensome on the veteran business owner. There appears to be an opinion of guilt by VA against SDVOSBs and VOSBs. NaVOBA believe the vast majority of veterans to be honest and trustworthy. We support a requirement to notify CVE of ANY change in ownership within 30 days of the change becoming effective. We do not support VA's rule that "an eligible owner have only one business in the program at one time and must work full-time in the business." These requirements do not exist, to our knowledge in any other government program. Why put unnecessary burdens on veterans? There are many good business reasons why a veteran may have one business line but several business entities; insurance, union, wages, etc. Many successful business owners have more than one business at a time, especially complimentary businesses. The requirement to work full-time in the business will eliminate many start-up businesses which many times cannot support full time salaries without contracts. VA is eliminating many worthy and deserving would be veteran entrepreneurs. We question whether this is the spirit and intent of P.L. 109–461.

NaVOBA also objects to VA's overly strict and restrictive implementation of the contracting provisions of P.L. 109–461. We have consistently objected to VA's position that P.L. 109–461 only applies to "open market" purchases. We read the law to say that VA shall provide a preference to SDVOSBs and VOSBs for all goods and

services VA buys. Open market is only a small percentage of total VA purchases and totally excludes Federal Supply Schedule buys which provide enormous opportunities for SDVOSBS and VOSBs. We are also frustrated by VA's minimal use of the sole source provisions of P.L. 109–461 as well as VA's burdensome requirement for synopsis of sole source opportunities. These VA policies make it almost impossible for new start-up firms to enter the VA market, which we believe, is a major goal of P.L. 109–461. As I have testified previously, our members tell us the biggest impediments to doing business with VA are access to decision makers to present capabilities, access to timely information on upcoming contract opportunities, inconsistent implementation of the provisions of P.L. 109–461, VA's administration of the Federal Supply Schedules regarding distributors, and VA's use of contract vehicles such as prime vendor and standardized contracts.

In summary, NaVOBA supports CVE but strongly believes VA must provide adequate resources commiserate with CVE's expanding mission, including verification and the VIP data base. VA must reconsider its overly restrictive interpretation and administration of P.L. 109–461. VA must be more sensitive to the needs/concerns of the veteran small business community. NaVOBA stands ready to be a partner with VA to achieve the intent of P.L. 109–461.

I would like to thank the Committee once again for holding this important hearing and I'm happy to answer any questions.

Prepared Statement of Richard Daley, Associate Legislation Director, Paralyzed Veterans of America

Chairwoman Herseth Sandlin, Ranking Member Boozman, Members of the Subcommittee, Paralyzed Veterans of America (PVA) would like to thank you for the opportunity to express our views on the issue of veteran-owned small businesses that contract with the Federal Government. PVA appreciates the hard work and sincere effort that this Subcommittee applies to their oversight efforts of business and educational programs that help veterans.

Small businesses are the backbone of our economy. They drive employment and are responsible for the majority of new jobs in this country. Small businesses generate untold billions of dollars to the Gross Domestic Product (GDP) each year. In 2009, over half of GDP was generated by small businesses with 500 or fewer employees. This can be expected to continue in the future. Simply put, small businesses are the essence of the American Dream, the ability to succeed as an individual through hard work and dedication to a goal.

The issue of small business ownership is important to PVA. PVA's members are veterans disabled by catastrophic injury or diseases. The many challenges still facing these individuals with disabilities as well as other service disabled veterans as they seek employment have resulted in an unemployment rate higher than any other category of citizens in the United States. With the employment options for veterans limited, many have chosen to use the skills and knowledge acquired in the military to create a small business with the hopes of being able to support themselves and their families. Small business ownership and self-employment is a bridge for many of these individuals. Conducting business with the Federal Government and specifically with the Department of Veterans Affairs (VA) is the goal for many of the veteran-owned and service disabled veteran-owned businesses.

Since the passage of the "Veterans Entrepreneurship and Small Business Development Act of 1999," the VA has had a responsibility to support the veteran who is exploring or expanding his or her business to include contracting with the Federal Government through the Department of Veterans' Affairs. In 2001 the VA created the Center for Veterans Enterprise (CVE) within the Office of Small and Disadvantaged Business Utilization program to promote business ownership and expansion for veterans and service-connected disabled veterans. CVE has worked closely with VA contracting personnel to inform them of their responsibilities to veterans and service-disabled veteran-owned small businesses.

The VA created a verification process for veterans and service-disabled veteran business owners who plan to conduct business with the VA. The verification process is the responsibility of the CVE. Although this was intended to ensure proof of military service or military service that resulted in a service connected disability of the veteran business owner seeking VA contracts, other agencies have often requested this verification to insure the business is owned by a veteran. This makes verification a required document for the veteran owned business pursuing Federal contracts.

Obtaining this required verification has been a problem. Some veteran business owners have submitted the required documents and have been told they may wait 12 months to receive verification. This is not acceptable for the veteran-owned small business. When the veteran decides to contact the office of CVE to check on the status of their application, no one answers the phone. I am told by veteran business owners that they can not get a response by e-mail or by direct mail. It is frustrating for the veteran business owner to not know if they have one more month to wait, or six more months.

In a recent meeting of the Veterans Entrepreneurship Task Force, (VET-Force) the current acting Deputy Director for CVE, Gail Wegner, told the organization that it would take a year to process the applications they currently have. We cannot understand why it should take a year to process these applications. Meanwhile, the veteran faces a decision of applying for this year and submitting an application for next year at the same time.

The other issue that has veteran business owners frustrated is the policy of the CVE that the veteran business owner can only own one business. Nowhere else in the Federal Government contracting marketplace or small business incentive programs do such restrictions exist. Often a veteran-owned small business will have a second similar type business that compliments their primary business. For example, in the requirements of contracting business with the Department of Defense, one business may require a security clearance for its personnel, while the business directed to the general public would not require such a select workforce. This policy of owning only one business should be removed.

Lastly, we remain concerned about resources for the CVE. Congress must provide the Department of Veterans' Affairs with dedicated funding to ensure the success of the Center for Veterans Enterprise so that it may fully staff its organization to adequately meet the increasing demand for timely certification of veterans' status, as legitimate entrepreneurial entities.

Chairwoman Herseth Sandlin, Ranking Member Boozman, thank you for this opportunity to testify on this issue. I would be happy to answer any questions you have.

Prepared Statement of Richard F. Weidman, Executive Director for Policy and Government Affairs, Vietnam Veterans of America

Good afternoon, Madame Chairwoman, Ranking Member Boozman and distinguished Members of the Subcommittee. Thank you for giving Vietnam Veterans of America (VVA) the opportunity to offer our written comments on a number of important bills here today. I also offer these brief comments on behalf of the Veterans Entrepreneurship Task Force (VET-Force).

Three years ago we began speaking to VA officials and to Congressional staff about the problem of "rent-a-vet" masquerade businesses that were starting to plague the veteran owned business (VOB)/service disabled veteran owned business (SDVOSB) community. Basically these were "front companies" that had no organizational criteria but were ostensibly subcontracting with large companies who actually did all or virtually all of the work. There was also the companion problem of actual businesses that listed themselves as SDVOSB on the Central Contract Registry (CCR) or on the Vendor Information Pages (VIP) of the Center for Veterans Enterprise (CVE) at the Department of Veterans Affairs. As there was no verification process at that time for the VIP at VA, and there still is no verification process for the CCR, there was nothing to prevent them from getting a contract and being counted as an SDVOSB except for the due diligence of a contract officer and/or a protest from a real SDVOSB who did not receive the contract award.

The problem was compounded by the fact that at least some contract officers were overwhelmed enough that they did not check closely on anyone's credentials to see if they were bona fide, but took the credit and got on their way with other tasks.

In response to the articulation of this problem you listened and put forth legislation that became Public Law 109–461 to address this problem and others that SDVOSB were encountering in trying to do business with the VA. Further, you expanded the pool of businesses eligible by also providing for special authorities for veterans who are not service disabled to bid on contracts at the VA on a more level playing field. We are grateful for your efforts in this regard, although the actual implementation of the law leaves a great deal to be desired.

The idea of verification by the CVE was something that we agreed with, and met several times with CVE staff, bringing into the mix several VOSB who were already successful Federal contractors in a competitive environment, as well as some who

had experienced the problems that the State of California had gone through in trying to fairly administer a similar law of a State level.

The CVE at this point has made a total mess of the verification process. Even they admit that there is up to a 10 month backlog for a certification that only lasts 1 year. In other words, one may get approved after an inordinate delay, and then less than 60 days later start the process for the following year. This smacks of bureaucratic paperwork taken to an absurd degree, and would be funny if it was not so serious a matter for the veterans involved.

Further, there is absolutely no transparency in the process so that a VOSB or SDVOSB can find out where their application is in the processing line.

Perhaps most galling is the imposition of a restriction that a veteran cannot own more than one business and that the veteran must be full time (e.g., 5 days per week) at that business. Otherwise the CVE has posited that the veteran is not operating and controlling the business. This is just silly, and only people who have never operated a business would come up with such a notion. Every major veteran service organization has more than one legal entity in order to accomplish various aspects of our mission. Does that mean that the elected leadership is not in control? Of course it does not. I can assure you that VVA National President John Rowan is very much in control of our organization, is truly the Chief Executive Officer, even though he lives in New York City, and our primary office is here. Electronic means of communication have in fact been invented.

The staff of the CVE has maintained that these onerous requirements are necessary because this is what will stop fraud in the program. That is just not the case, as it is just not that simple. We point out that these two requirements are not mentioned anywhere in the law, nor even hinted at in Committee reports or in testimony anywhere we can find when the current law was under consideration.

We asked where they got this idea, and were told from the Small Business Administration. Apparently they decided to model it on the theoretical restrictions imposed on 8(a) businesses, where you can only have one 8(a) per lifetime. We would note that the 8(a) program is a business development program. The veterans program is not a business development, and neither the VA nor anyone else in the Federal bureaucracy offers any meaningful assistance to SDVOSB, much less to non disabled veterans.

The 8(a) program is a socio-economic classification and program that stems from being a member of a socially or economically disadvantaged group.

On the contrary, Service Disabled Veterans earn their status as a reward for services rendered to country and sacrifices made in that service in the military. It is an ***earned*** status. For any non-disabled veteran it is also an earned status.

Women owned business owners are not limited to one business, nor are HUB zones. When we pointed this out to CVE staff the response we got was not a rational argument, but rather "I'm not going to do anything to jeopardize my retirement."

We point out that reportedly none of the firms specifically named in the report GAO–10–306T (http://www.gao.gov/new.items/d10306t.pdf) dated December 16, 2009; "**Service-Disabled Veteran-Owned Small Business Program**: Case Studies Show Fraud and Abuse Allowed Ineligible Firms to Obtain Millions of Dollars in Contracts" have been debarred from doing business with the government.

It is our understanding that at least one of these firms named by the GAO has received further contracts from the VA totaling well into seven figures. None of the contracting officers has been taken to task for a lack of due diligence, nor to our knowledge have any of the managers in those areas of VA been taken to task. Lastly, apparently not only has there been no referral to the United States Attorney to investigate whether there was any collusion on the part of VA personnel in these matters, or to prosecute these crooks who posed as SDVOSB for a felony violation of the United States Code, the Inspector General has apparently not even been called in to investigate. Talk about Stolen Valor!

It is clear that the CVE has gone awry in a major way. Instead of being a source of encouragement to veteran entrepreneurs and would-be entrepreneurs, it has somehow transmogrified from an entity that assisted our people to one that polices our veteran entrepreneurs in a rather heavy handed manner. To add insult to injury, one of the key CVE staff members spoke on behalf of VA before major prime contractors at the TRIAD conference in Las Vegas last week about being committed to diversity in subcontracting, but did not mention the words veteran owned or service disabled veteran owned small business once in their oral presentation.

We are pleased with the appointment of Mr. Tim Foreman as Executive Director for Small Business at VA, and wish him well. We stand ready to support him as he tries to get this program headed in the right direction again, after 15 months of drift and confusion. We know Mr. Foreman from his record at the Department of Defense and at the Navy. We know him to be a decent man and a good leader,

who often can get things done despite efforts by some to either obstruct or delay, or to just have a penchant for complicating a one car funeral. We are hopeful that he will provide the leadership to get things back on track, and that he will have the full backing of the Secretary's office as he does so.

However, this problem with the verification process must be fixed. It must streamlined, made user friendly, transparent so a veteran can see where they are in the process, and it must happen in days, not many, many months or years.

When one steps back and looks at this process, you see that there are some nefarious folks who have taken advantage of this program. Instead of seeking out those culprits, inside the VA and in the private sector, and punishing them, VA has put a mountain of burdensome paperwork and bureaucratic burden on the individual veteran business owner. This is akin to blaming the kid who gets beat up and has his lunch money taken for not being careful enough, and making him go a much longer route each day and go through burdensome procedures instead of catching and punishing the bums who beat him up and stole his lunch money. It was SDVOSB who asked for assistance to protect our honor and the integrity of the program. Instead of going after the culprits, the VA is treating all of our veteran business owners like miscreants. This is just wrong.

The overwhelming majority of the owners of VOSB and SDVOSB ore good, hard working, and decent citizens who have served their country well. They just want the opportunity to earn their piece of the American dream, to provide quality products and services at a decent price to benefit their brothers and sisters who use the VA, and to employ other veterans and disabled veterans in meaningful work at a decent wage in the process.

We ask for the help of this distinguished body to help us reason with the VA in these matters.

I will be happy to answer any questions.

Prepared Statement of Joseph C. Sharpe, Jr., Director, National Economic Commission, American Legion

Chair Herseth Sandlin, Ranking Member Boozman and Members of the Subcommittee:

Thank you for the opportunity to present The American Legion's views on the Department of Veterans Affairs' (VA's) Center for Veterans Enterprise.

The American Legion contends that the key to the Nation's economic recovery depends on a strong and vibrant small business agenda. Small business is the engine that will pull the American economy out of its current recession and will be responsible for American's economic growth in the foreseeable future. Economic data constantly points out that businesses with fewer than 20 employees account for 90 percent of all U.S. firms and are responsible for more than 97 percent of all new jobs, generated $993 billion in income in 2006, and employed 58.6 million people. There are 27 million small businesses in the U.S. and 99.7 percent of all firms are small businesses.

In FY 2007, the Small Business Administration's (SBA's) Office of Government Contracting reported that of more than $378.5 billion in Federal contracts identified as small business eligible, small businesses only received a total of $83 billion in prime contract awards and about $64 billion in subcontracts. Service-Disabled Veteran-Owned Businesses (SDVOBs) were recipients of $3.81 billion, or 1.01 percent of those available contract dollars.

America has benefited immeasurably from the service of its 23.4 million living veterans, who have made great sacrifices in the defense of freedom, preservation of democracy, and the protection of the free enterprise system. Due to the experience veterans gain in the military, the success rate of veteran-owned businesses is higher than other non-veteran-owned businesses. The current War on Terror has had a devastating impact on the Armed Forces and has contributed to exacerbating this country's veterans' unemployment problem, especially within the Guard and Reserve components of the military. According to the Department of Labor, the present unemployment rate for recently discharged veterans is as high as 20 percent. For example, one Reserve command from Wisconsin that is returning this month reports that 50 percent of its members will be attending one of 11 Job Fairs the State has planned for the next 6 months. In addition, one out of every four veterans who do find employment earn less the $25,000 per year. Unfortunately, many of the thousands of servicemembers who are currently leaving the service are from the combat arms and non-skilled professions that are not readily transferable to the civilian labor market.

One way of combating unemployment or underemployment is through the creation of new jobs. Small business creates an estimated 60 percent to 80 percent of net jobs, therefore providing a central element for strong economic growth. Government should assist in the creation of new jobs by encouraging qualified entrepreneurs to start and expand their small businesses. No group is better qualified or deserving of this type of assistance than America's veterans.

Increasingly, the growth and stability of this Nation's economy is dependent on the long-term success of the small business networks across the country. However, during a time of war there is much to be accomplished. Ironically, for too many years, the very men and women who served in uniform, stood ready to fight, and if necessary die in order to protect and preserve the free enterprise system, are summarily ignored by the Federal agencies responsible for meeting their small business needs.

The Center for Veterans Enterprise

The Department of Veterans Affairs' Center for Veterans Enterprise (CVE) according to its Web site "is designed to improve the business climate for veterans, to minimize access barriers and to inform the public about the benefits of working with veteran-owned small businesses." In addition, CVE provides opportunities for veteran-owned small businesses by collaborating with like-minded individuals and organizations who believe that veterans in business are still serving the American public. They work and link with partner organizations to provide local support to veteran-owned small businesses, because they are the face of a local economy. They also support acquisition teams through procurement coaching, free market research, awareness briefings and provide awards for noteworthy achievements. Their goal is to provide smart business information for those veteran-owned small businesses that are in search of starting their business or continuing to grow their business.

P.L. 109–461

Former President Bush signed P.L. 109–461 on December 22, 2006, The Veterans Health Care, Benefits and Information Technology Act of 2006. This law not only pertains to important health care benefits, but also outlining how VA will deal with veteran-owned small businesses in the area of contacting opportunities. Some of the provisions contained in this law is as follows:

- Establishes a set-aside and sole-source award mechanism for Veteran-Owned Small Businesses;
- Requires the Secretary of Veterans Affairs to establish prime and subcontracting goals for SDVOSBs and VOSBs;
- Requires registration SDVOSB and VOSB firms in VA.
- Requires VA to verify ownership and control of the company and the status of veteran owners. Providing ownership and control information to VA is optional and veterans may continue to sell to VA without verifying their status. However, participation in the set-aside and subcontracting program is limited to eligible businesses registered Veterans Information Page (VIP); and
- Provides for debarment from VA acquisitions of those firms willfully misrepresenting their status.

VA'S IMPLEMENTATION OF PUBLIC LAW 109–461

In March 2007, Scott Dennision, Director of the VA's Office of Service-Disabled Veteran-Owned Small Business Utilization (OSDBU) is quoted as stating in his department's local newsletter the **Small Business Advocate** that "a major challenge to implementing P.L. 109–461 will be educating and training VA's workforce of the significant changes brought by the law. To that end, OSDBU is available to provide training to acquisition professionals, program officials engineering officers and personnel, purchase cardholders and anyone else involved in the acquisition process that could use this training."

Challenges:

- Over the past 10 years, VA has built CVE through non-appropriated funds. CVE markets themselves as a technical training and assistance center that maintains a database of veteran-owned small businesses. With regard to CVE's technical assistance capabilities, this effort represents a negligible impact locally and virtually no impact nationally. CVE maintains one small assistance center in Washington, DC, where they see a small amount of clients and field phone calls;

- Takes anywhere from 1 month to 1 year to have a company registered with VA. One veteran complained after registering, he was deleted from the data system a few months later;
- Veterans cannot register multiple businesses at one time, and owners must work full time in their registered business;
- Qualifications of CVE staff questioned;
- A 10-case Government Accountability Office study proved approximately $100 million in SDVOSB sole-source and set-aside contracts through fraud and abuse of the program;
- The Web site is not user-friendly and needs to be improved; and,
- Not enough communicating between veteran-owned small businesses on the Web site.

Observations:

CVE's marquee program is their VIP database. As the only Federal database focusing strictly on veterans-owned small businesses, the VIP database has established itself as the premiere database for veterans in the country. CVE has successfully promoted this database commercially, as well as cross agency and has established a strong foundation and infrastructure that can easily be interwoven into other Federal databases such as the Central Contractors Registry (CCR).

VA and the Small Business Administration (SBA) should develop a comprehensive partnership to assist veterans who are interested in participating in Federal procurement. CVE should maintain the database (VIP) and verify accurate veteran/service-connected disabled veterans' status. SBA should retain the responsibility for validating the business ownership, size standards, and structural integrity of the business. SBA should have direct reporting and input authority to the VIP database through the Office of Veterans Business Development once this information is collected. VA should maintain the eligibility status regarding veteran status. SBA is responsible for verifying all other socioeconomic categories for the purpose of Federal procurement. SBA already maintains the infrastructure, expertise and established regulatory guidance to include the veterans' population within their authority.

I would like to mention that these observations have come from The American Legion's National Small Business Task Force. This Task Force is made up of veterans who are successful business owners, Federal agency officials and The American Legion leaders. Their mission is to gather information, data and research regarding the current and future economic status of veteran businesses. These individuals are the very individuals who should be using the CVE and are a part of the database that CVE is maintaining.

Conclusion

While The American Legion applauds the Federal Government in setting up and implementing a program that is designed to assist Veteran-Owned and Service-Disabled Veteran Owned Small Business to start up and receive government contracts, it is our belief that this program could be improved. The implementation of CVE is small and does not necessarily provide the right assistance to veterans. The Vetbiz.gov Web site is not easily navigated and needs to become a more user-friendly Web site. In addition, CVE only operates one office in Washington, DC, and does not cover the needs of all the veteran-owned small businesses around the country. Government employees fielding phone calls about business is not an ideal way of conducting training and market research for veterans and their small businesses. VA and SBA should develop a comprehensive partnership to assist veterans who are interested in participating in Federal procurement, with each Department utilizing their resources to ensure proper implementation.

The American Legion appreciates the opportunity to present this statement for the record. Again, thank you Madame Chair, Ranking Member Boozman, and Members of the Subcommittee for allowing The American Legion to present its views on these very important issues.

Prepared Statement of Christina M. Roof, National Deputy Legislative Director, American Veterans (AMVETS)

Chairwoman Herseth Sandlin, Ranking Member Boozman, and distinguished Members of the Subcommittee, on behalf of AMVETS, I would like to extend our gratitude for being given the opportunity to share with you our views and recommendations regarding the U.S. Department of Veterans' Affairs Center for Vet-

eran Enterprise (CVE). Due to the recent lack of leadership at CVE, AMVETS believes this hearing to be vital in the success of CVE.

AMVETS feels privileged in having been a leader, since 1944, in helping to preserve the freedoms secured by America's Armed Forces. Today our organization prides itself on the continuation of this tradition, as well as our undaunted dedication to ensuring that every past and present member of the Armed Forces receives all of their due entitlements. These individuals, who have devoted their entire lives to upholding our values and freedoms, deserve nothing less.

By way of background, CVE is a subdivision of the Office of Small and Disadvantaged Business Utilization that extends entrepreneur services to veterans whom own or who want to start a small business. CVE also aids other Federal contracting offices in identifying veteran-owned small businesses, in response to Executive Order 133600. In the past VA faced many obstacles, from lack of leadership to best practices with their entrepreneurship programs, which prevented the success of veteran owned businesses. For this reason, VA established the program entitled the Center for Veterans Enterprise (CVE) with the passage of the Veterans Entrepreneurship and Small Business Development Act of 1999. Furthermore, on December 22, 2006, President Bush signed Public Law 109–461, the Veterans Benefits, Health Care, and Information Technology Act of 2006 in an effort to successfully identify and grant status to SDVOSBs. Effective June 20, 2007, this legislation authorized a unique "Veterans First" approach, specific to VA contracting.

As we move through the 21st century, during a time of war, the VOSB and SDVOSB population continues to rise at a rate not seen since the end of World War II. As America's war fighters transition back into civilian life, many are choosing to pursue lives as entrepreneurs. Given the almost 30 percent influx of VOSB and SDVOSB, it is vital that the Center for Veterans Enterprise be ready and able to meet the growing demand for their services. However, AMVETS does not believe that CVE is serving the needs of those veterans it was originally designed to help. Due to a lack of leadership over the past year, we have seen CVE slowly move from the role of assisting VOSB and SDVOSBs to that of an information and referral agency for other Federal and State agencies. AMVETS believes the Center for Veteran Enterprise must be brought back up to par with what it was originally tasked to do: assisting our veteran population in all aspects for their entrepreneurship endeavors. In order to effectively accomplish this CVE must be properly staffed, trained, and funded.

Recently, AMVETS has heard from our membership about the many obstacles veteran business owners are facing when working with CVE. Most recently, we have gotten an influx of calls on the lengthy time periods veteran business owners are experiencing when applying for their certification as SDVOSB. While AMVETS has always requested an accurate certification process of SDVOSB status, we do not believe that extensive waiting periods by SDVOSB are in the best interest of our membership, or any other SDVOSB. It is unclear to AMVETS the exact causes of this extensive waiting period, be it lack of staff or lack of training. However, we do ask this Committee to ensure that CVE is properly equipped with all necessary resources to effectively reduce this waiting period.

On February 8, 2010, the final CFR rules regarding "VA Veteran-Owned Small Business Verification Guidelines" were published. The document affirms as final, with changes, an interim final rule that implements portions of the Veterans Benefits, Health Care, and Information Technology Act of 2006. This law requires the Department of Veterans Affairs (VA) to verify ownership and control of veteran-owned small businesses, including service-disabled veteran-owned small businesses. This final rule *declares* that it defines the eligibility requirements for businesses to obtain verified status, explains examination procedures, and establishes records retention and review processes. However, the newly published rule fails to outline any solid changes or improvements to the SDVOSB verification process, and does not offer any clarification on how a CVE examination of SDVOSB should be conducted. AMVETS believes that the newly published rules focused on control and ownership definitions, yet provided no clarification on the specifics of the verification process by CVE. AMVETS believes that these updates to 38 CFR, Part 74 regarding P.L. 109–461 still leave the integrity of the SDVOSB verification system open to fraud. This continued lack of clarity and uninformed inconsistent status verification processes will cause the same unwanted results of many veteran owned businesses not receiving the protections they are entitled to under the law.

At present, vendors desiring to do business with the Federal Government must register in the Central Contractor Registration (CCR) database, and those who indicate they are veterans or service-connected disabled veterans, self-certify their status without verification. P.L. 109–461, required VA to establish a Vendor Information Page (VIP) database to accurately identify businesses that are 51 percent or

more owned by veterans or service disabled veterans. This database was originally designed to act as a reliable, centralized database providing all Federal agencies a single source in the identification of possible SDVOSB and VOSB for consideration during their procurement processes. As of April 15, 2009 approximately 18,000 SDVOSB were registered in the CCR and Vet Biz databases, and unfortunately, an unknown number were still awaiting certification as a legitimate SDVOSB.

Furthermore, according to the *Federal Register* updates of February 2010, entrepreneurs will now be allowed only one company at a time in the contracting program and must work full time in the business, according to the new rule. AMVETS believes this change will hinder the overall entrepreneurship spirit of the veteran community, and unfairly leaves out any VOSB or SDVOSB that may have grown due to their success. AMVETS is in no way implying that all contracts should be awarded to the larger, more dominant firms, but rather should not hinder a veterans' business growth.

As a part of the 2011 Independent Budget AMVETS recommended all Federal agencies be required to certify veteran status and ownership through the VA's VIP program before awarding contracts to companies claiming to be veteran or service-disabled veterans who own small businesses. We also recommended that Congress take the immediate and necessary actions in requiring all Federal agencies to use a single source database in all verifications of veteran ownership statuses, before unknowingly awarding contracts to companies on the basis of claiming SDVOSB or VOSB preference. AMVETS final recommendation regarding P.L. 109–461 is for the immediate internal promotion and education on proper usage of the database should coincide with implementation of database use. As the Veteran Owned and Service Disabled Veteran Owned Small Business population continues to rise, it is of the utmost importance that the Center for Veterans Enterprise be ready and able to meet the growing demand for their services.

AMVETS strongly believes that VA must help eliminate the barriers that veterans face in regard to the formation and development of their business ventures. Madam Chairwoman, this concludes my testimony and I am happy to answer any questions you or the Committee may have for me.

Prepared Statement of Tim J. Foreman, Executive Director, Office of Small and Disadvantaged Business Utilization, U.S. Department of Veterans Affairs

Madam Chairwoman and other Members of the Subcommittee, good afternoon. Thank you for convening this hearing to discuss issues pertaining to VA's Center for Veterans Enterprise (CVE). I am accompanied today by Ms. Iris Cooper, Associate Deputy Assistant Secretary for Acquisition, Office of Acquisition, Logistics, and Construction, and Ms. Phillipa Anderson, Assistant General Counsel, Government Contracts, Real Property, and Environmental Law Group, Office of the General Counsel. We are pleased to represent Secretary Shinseki and the Veterans who do business with VA.

The Department of Veterans Affairs has a sustained tradition of outstanding support for small businesses with special emphasis on Veteran-owned small businesses, to include service-disabled Veteran-owned small businesses (SDVOSB). Our CVE has become the central point for agencies, contractors and Veterans for support concerning the Veteran-owned business program at VA. CVE's Verification Program is also a first line of defense to ensure the integrity of these efforts.

Let me assure you how strongly committed we are to identifying, eliminating, and pursuing fraud wherever it appears in a Veteran-owned small business program or in any small business program in which VA participates. The Government Accountability Office (GAO) reported that the "SDVOSB program is vulnerable to fraud and abuse, which could result in legitimate service-disabled veterans' firms losing contracts to ineligible firms." Whenever an ineligible firm receives a contract intended for Veteran small business firms, honest firms are deprived of opportunities they have earned by putting their lives on the line for our country. It is hard to imagine anyone stealing from the heroes who make our way of life possible, but the potential exists. I will discuss actions we are taking in our Verification Program, as well as in other areas, to tackle this problem.

As vital as the Verification Program is, the Center for Veterans Enterprise is far more than that program. The CVE opened in 2001 in response to Public Law 106–50 and, subsequently, its mission has expanded based on statutory and regulatory mandates. CVE staff provides business coaching support through our call center, a hallmark of our "service with a personal touch." The Center maintains the

VetBiz.gov Web portal. This Web site hosts the Vendor Information Pages (VIP) database for Veteran-owned small businesses. The VetBiz.gov VIP database supports VA's duty in P. L. 106–50 to compile a list of service-disabled Veteran-owned businesses that provide products or services that could be procured by the United States and to deliver that list to each department and agency of the United States for their reference in identifying potential sources. This database also serves as the repository to dispatch information to business owners, another requirement of that law. In addition, under the authority of Executive Order 13360, the CVE provides assistance to other Federal agencies seeking to identify suitable contracting opportunities and the service-disabled Veteran-owned small businesses that could provide those needs. The VIP database is one of many market research tools other agencies may consult as they seek to meet the government contracting goals.

To advance opportunities for Veteran owned small businesses, CVE has numerous partnerships with other Federal agencies, large Federal prime contractors, support sector organizations such as the Association of Small Business Development Centers, the Association of Procurement Technical Assistance Centers, and the Manufacturing Extension Partnership Centers of the National Institute of Standards and Technology (NIST). Most recently we have begun a State outreach effort to assist Veteran business owners with contracting on the State level. With the Association of Procurement Technical Assistance Centers, we have developed a training program, the Federal Contractor Certification program, to enhance the professionalism of small business owners wishing to do business with the government.

We have recently begun a pilot manufacturing program with the Naval Air Warfare Center and NIST's Manufacturing Extension Partnership (MEP) that promises to be a winning solution for extreme back-ordered parts for the U.S. Navy, that provides additional clients for the MEPs, and ultimately helps develop more Veteran-owned manufacturing concerns and increase Veteran employment in them. Our work with the International Franchise Association to develop the Veteran Franchise Program has nearly 400 franchisors participating. More than 1,300 Veterans have opened franchises through this program.

All of these activities are part of the core mission of the CVE: to improve the business climate for Veterans, minimize barriers to access, and inform the public about the benefits of working with Veteran-owned small businesses. We believe that supporting Veteran-owned business goes beyond the Veteran business owner, as Veteran business owners offer greater employment opportunities for Veterans than non-Veteran business owners.

Verification

The Verification Program is a vital part of VA's Veterans First procurement program. VA's unique procurement legislation gives priority to service-disabled Veteran-owned small businesses and Veteran-owned small businesses over all other small business types for set-aside and sole source contracts. The CVE realizes that there are challenging issues with the Verification Program. There will always be a learning curve with any new program, and this holds true for the verification process. We have continuously noted issues as they have arisen and updated our procedures and processes to address them given our current resources. In May 2008, the Department sought public comments regarding the structure and procedures to operate this program. Subsequently, we hired a contractor to study comparable programs, identify best practices and recommend changes to our program to enhance effectiveness and efficiency. In November 2009 our contractor submitted four reports including one on reengineering the process which contained several recommendations that we intend to implement. These recommendations include automating large parts of the process and ensuring that specific business documents are included so that our examiners may make better, more informed recommendations for approval or denial. These two recommendations will eliminate hundreds of man-hours of data entry and our reliance on publicly available documentation. Where we had previously only requested these documents when there was some question about ownership and control of the business, we will now require the documents to be submitted as a part of the application package for all businesses. To implement these recommendations VA will hire and train additional staff, and will develop, test, and certify the automated system. As a recipient of non-appropriated funds from VA's Supply Fund, CVE will continue to work with the Supply Fund Board of Directors to define and adjust its resource needs as demands indicate.

Planned Changes to the Verification Program

The CVE reviewed the reports received from our contractor and decided to implement the most viable recommendations to improve the program. These improvements will be phased in and affect all parts of the Verification Program including

its application process, on-site visits, and prioritization of applications from VA contractors, offerors and subcontractors.

In December 2009 and January 2010 our staff devised an action plan to reengineer the process. As the current process employs many manual steps and extensive manual data entry, we have designed an automated process that will extensively revise the VIP database and create a Case Management System (CMS). The new version of VIP will interact with several other databases, including VA's Beneficiary Identification Records Locator Subsystem (BIRLS), for determining Veteran status and service-disabled status, as well as the Excluded Parties List System (EPLS) and LexisNexis for background checks on the owners. It will also be the repository where Veterans will upload their business documents to complete their application package. The CMS will be an interactive tracking system that will date-stamp each part of the process and will allow the Veteran to log into his or her VIP profile to obtain the status of the application processing in a manner similar to the way the shipping of a package can be tracked when ordering a product online. We will have the contract in place soon for the revision of the VIP database and the creation of the CMS and anticipate that this largest part of the process improvements will be ready to implement about 12 months after the contract award.

In order to complete an application package, a Veteran will choose a business type (LLC, S-Corporation, sole proprietorship, etc.) and VIP will then prompt the owner to submit specific business documents that will be examined to determine ownership and control of the firm. Once the package is complete, VIP will automatically run the status checks and populate a case file in the CMS. If there are no anomalies during the status check phase, the file will be moved on to CVE examiners who will review the uploaded documents to determine the eligibility of the company based on ownership and control. As a continuation of our current policy, a CVE Quality Reviewer will then review the entire file to verify the decision recommended by the examiner to complete the process.

CVE has engaged a contractor to perform on site examinations at selected companies. We believe that this additional step will enhance the information we glean from the documentation and help us make a more informed decision in terms of the control of the business. These site visits have already begun, and are proving to be very valuable in determining whether or not the Veteran is in daily control of the business.

Another change to the program will be to give priority to VA contractors. The Verification Program was designed to ensure that only eligible Veteran-owned and service-disabled Veteran-owned small businesses benefit from VA contract awards under the set-aside and sole source authorities and from subcontracting opportunities with VA's large prime contractors. It is important that current or potential VA contractors be given priority in processing applications.

In the interim, however, we are taking actions to ensure award of contracts only to eligible businesses. We are establishing a priority system for processing applications. VA contractors and offerors in line for contract awards will receive expedited processing. It is our current practice to remove from public view any business that has been denied verification and to remove any business found ineligible as a result of a negative finding resulting from a protest decision or appeal. One recent change, implemented after our research into the GAO's report, is that we now lock the company's profile so that it cannot be returned to public view. This was a software anomaly which has been corrected. To retain a record, the profile is not deleted from the database, but it is not visible to public users. This eliminates the possibility of the company conducting further fraud by creating a new profile.

We believe that these changes will substantially reduce the risk of verifying an ineligible firm due to fraud as to its status as not truly a Veteran-owned and controlled small business. However, these changes will not reduce fraud that comes about during subsequent contract performance. The Government Accountability Office's October 2009 report cited examples of both status and performance fraud, with the majority of cases representing performance fraud. A fully eligible business concern can still commit performance fraud by not adhering to the subcontracting limitations included in the contract and becoming what we refer to as a "pass-through." CVE's Verification Program seeks to apply the GAO's "fraud prevention model" by ensuring upfront preventive controls, and applying lessons learned to refine those controls as experience indicates.

On December 8,2009, VA made conforming changes to the Veterans Affairs Acquisition Regulation (VAAR). It established that businesses may be listed in the Vendor Information Pages database until December 31, 2011, after which they must have been officially verified in order to be eligible for a sole-source or set-aside award under the authority of Public Law 109–461, or to have prime contractors receive subcontracting credit. We believe that it will take this long to develop and test the

automated system, hire and train additional staff, and eliminate the inventory of aged applications. Our objective is to ensure that businesses that benefit from sole-source or set-aside awards are eligible to receive them. We will not compromise the quality of our examination process. In accordance with the VAAR, until the effective date is reached, we must continue to allow businesses that have yet to be verified to remain in the database.

Minimizing Opportunity for Performance Fraud

Reducing performance fraud has several components. Raising awareness of the problem is a start. Providing training for the acquisition corps and business owners is also important. Developing effective tools that will enable contracting officers and technical representatives to identify possible performance issues early in the contract will also help. Concerns about "pass-throughs" or "fronts" are not limited to VA's Veterans First Program. The GAO report identified this as a problem in the Government-wide service-disabled Veteran-owned small business program. Similar issues have arisen previously in other small business programs. As the Executive Director of VA's Office of Small and Disadvantaged Business Utilization, I intend to champion this issue at the Interagency OSDBU Directors' Council and with my colleagues at the Small Business Administration in the Procurement Advisory Council. Because performance fraud is cross-cutting a truly collaborative Government-wide approach to reducing risk is needed.

VA and the SBA also have a duty to better coordinate support to Veterans under Public Law 109–461. We already have a working group developing plans for enhancing support to Veterans. One outgrowth of that working group is VA's intention to execute an Interagency Agreement with the SBA to process P.L. 109–461 protests. Reducing performance fraud is vitally important to the integrity of these programs, and we are keeping this on our agenda to continue developing new strategies. We must always try to stay one step ahead of the bad actors. Furthermore, VA intends to randomly sample business owners' records to determine compliance with the limitations on subcontracting contract requirements.

In closing, I hope you will agree that VA has developed strategies to control risk and eliminate fraud in the Veterans' First procurement program as well as in the Verification Program managed by the CVE.

Madam Chairwoman, thank you again for convening today's hearing. I request that this written statement be submitted for the record. I welcome your interest and I am prepared to answer any questions that you or the Members may have.

International Franchise Association
Washington, DC.
March 11, 2010

The Honorable Stephanie Herseth Sandlin
U.S. House of Representatives
House Subcommittee on Economic Opportunity
Washington, DC 20515

The Honorable John Boozman
U.S. House of Representatives
House Subcommittee on Economic Opportunity
Washington, DC 20515

Dear Chairwoman Sandlin and Ranking Member Boozman:

On behalf of the International Franchise Association (IFA), I write to support the Subcommittee's effort to foster more economic opportunities for America's military veterans; and in particular, those returning from active service who are now reentering the workforce. As you convene today to discuss the Department of Veterans Affairs' Center for Veteran Enterprise, I want to bring to your attention several ongoing initiatives the IFA has undertaken. I would also like to highlight pending legislation, H.R. 2672, the Help Veterans Own Franchises Act, sponsored by Reps. Leonard Boswell and Aaron Schock together with a bipartisan group of more than 30 other members.

As the largest and oldest franchising trade group, the IFA's mission is to safeguard the business environment for franchising worldwide. IFA represents more than 85 industries, including more than 12,000 franchisee, 1,100 franchisor and 500 supplier members nationwide. According to a 2008 study conducted by PricewaterhouseCoopers, there are more than 900,000 franchised establishments in the U.S. that are responsible for creating 21 million American jobs and generating $2.3 trillion in economic output.

Veterans' Transition Franchise Initiative—VetFran

VetFran was developed to help returning active duty servicemen and women after the first Gulf War in 1991 and the program was reenergized with a new focus in 2002. The idea for this initiative was developed by the late Don Dwyer Sr., a veteran-entrepreneur himself; and, founder of The Dwyer Group. VetFran is a voluntary effort of IFA member companies that is designed to encourage franchise ownership by offering financial incentives to honorably discharged veterans. To date, nearly **400** franchise companies participate in the program and since 2002, over 1,500 veterans have purchased their own franchise business through the program. The profiles of VetFran participating companies, as well as the financial incentives they offer to veterans, can be viewed on the IFA Web site at www.franchise.org.

Cooperation with the Center for Veteran Enterprise

For several years, the IFA continues to maintain an ongoing dialogue with the U.S. Department of Veterans Affairs' Center for Veteran Enterprise, seeking ways to improve program outreach to transitioning veterans. The agency is exploring new ways to help the association promote the program. In 2003, the agency honored the VetFran program with a Champion of Free Enterprise Award for expanding business opportunities for veterans and in 2006 renewed its official Memorandum of Understanding with IFA to jointly promote the program.

Help Veterans Own Franchises Act

H.R. 2672 establishes a tax credit for franchise businesses that choose to offer qualified veterans a discounted initial franchise fee. The tax credit would amount to 50 percent of the total franchise fee discount offered by the franchisor to the franchisee, capped at $25,000 per unit, and also provide a tax credit for the remaining initial franchise fee paid by the veteran franchisee.

Given the current economic climate, many franchised businesses are finding it harder to access the capital they need to open new stores and recruit new investors. In order to encourage economic growth and to make it easier for veterans to own their business, the IFA supports enactment of this tax credit for those franchise systems that choose to offer qualified veterans a discounted franchise fee.

In the words of Navy veteran and Dunkin' Brands franchisee Peter Turner: "We're eager to begin the next chapter of our lives and take full advantage of the opportunities that we've helped defend while in uniform. Support such as these tax incentives gives us even more confidence to become entrepreneurs." Dunkin' Brands is a proud and active supporter of the VetFran initiative, which Peter Turner utilized when he selected his franchise opportunity.

Again, the IFA appreciates the good work of this Subcommittee and strongly encourages its members to lend their support to the Help Veterans Own Franchises Act, so that our returning veterans can build a future for themselves, their families and their communities through small business ownership.

Thank you for your consideration in this matter.

Sincerely,

David French
Vice President, Government Relations

MATERIAL SUBMITTED FOR THE RECORD

Committee on Veterans' Affairs
Subcommittee on Economic Opportunity
Washington, DC.
March 22, 2010

Mr. Scott Denniston
Director of Programs
National Veteran-Owned Business Association
429 Mill Street
Coraopolis, PA 15108

Dear Mr. Denniston:

I would like to request your response to the enclosed questions for the record and deliverable I am submitting in reference to our House Committee on Veterans' Affairs Subcommittee on Economic Opportunity hearing on *The Department of Veterans Affairs' Center for Veterans Enterprise* on March 11, 2010. Please answer the enclosed hearing questions by no later than Monday, April 19, 2010.

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Due to the delay in receiving mail, please provide your response to Ms. Orfa Torres by fax at (202) 225–2034. If you have any questions, please call (202) 226–5491.

Sincerely,

Stephanie Herseth Sandlin
Chairwoman

JL/ot

RESPONSE TO HEARING QUESTIONS: HEARING OF MARCH 11, 2010
Submitted By: Scott Denniston, Director of Programs, NaVOBA

Question 1: In your testimony you write that verification should not be an annual requirement. How often should businesses be verified?

Answer: We believe annual verification is burdensome for both the veteran owned small business as well as CVE! We offer two options; one, that firms must be verified ANY time there is a change in ownership or management. Firms should be required to notify CVE of any change in ownership or management within 30 days of the event. Second, if there is going to be a time certain verification requirement we would suggest a 3-year verification requirement. We also believe contracting officers, prior to award, and as part of their responsibility determinations should be required to check the firm's verification status in the CVE database.

Question 2: Should the Federal Supply Schedules have a set aside requirement?

Answer: Yes, NaVOBA supports set asides using FSS schedules for two reasons. First; contracting officers can already use socio-economic status of firms as an evaluation factor for award using FSS. Set aside authority is a natural extension of this and would expand the importance of FSS to contracting officers. Second, as FSS is a higher priority than small business programs in the Federal acquisition process thru FAR Part 8, allowing set asides under FSS would provide contracting officers a much more effective tool to direct contract opportunities to veteran owned small businesses. One only has to look at VA's implementation of P.L. 109–461 to see how agencies currently avoid veteran small businesses using FSS.

Question 3: Going forward, how can the Center for Veterans Enterprise best help veterans and new startups enter the market?

Answer: First and foremost, develop an effective verification process so veterans do not have to wait months for answers. Also, publish clear guidance on the rules,

requirements and process. Next, NaVOBA believes business development is a local challenge that cannot be done from Washington, DC. CVE used to be a very effective clearing house of information on local resources that were available to help veterans across the country. That along with CVE business coaches was the best avenues to provide help to beginning veteran entrepreneurs. CVE also can be very effective in education agencies and large prime contractors on the value of using the CVE database of verified firms as well as establishing "MOUs" with these organizations to support veteran owned small businesses. We also believe CVE and the database of veteran owned small businesses can play a vital role in the process of hiring veterans. Who better to hire veterans than other veterans? According to all reports, small business is the employment engine for job creation so why not harness the 15,000 veteran owned businesses in the CVE database?

Committee on Veterans' Affairs
Subcommittee on Economic Opportunity
Washington, DC.
March 22, 2010

Mr. Joseph C. Sharpe, Jr.
Director, Economic Division
The American Legion
1608 K Street, NW
Washington, DC 20006

Dear Mr. Sharpe:

I would like to request your response to the enclosed questions for the record and deliverable I am submitting in reference to our House Committee on Veterans' Affairs Subcommittee on Economic Opportunity hearing on *The Department of Veterans Affairs' Center for Veterans Enterprise* on March 11, 2010. Please answer the enclosed hearing questions by no later than Monday, April 19, 2010.

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Sincerely,

Stephanie Herseth Sandlin
Chairwoman

JL/ot

The American Legion
Washington, DC.
June 1, 2010

Honorable Stephanie Herseth Sandlin, Chair
Subcommittee on Economic Opportunity
Committee on Veterans' Affairs
335 Cannon House Office Building
Washington, DC 20515

Dear Chair Herseth Sandlin:

Thank you for allowing The American Legion to participate in the Subcommittee on The Department of Veterans Affairs' Center for Veterans Enterprise on March 11, 2010. I respectfully submit the following in response to your additional questions:

1. In your testimony you refer to the challenges faced by members of the National Guard and Reserves. In your estimation how many have businesses and how many currently do business with the Federal Government.

SBA, DoD and CBO Research and reports indicate that between 6 and 7 percent of the Reserve component members are self employed or small business owners. 6 percent of the 860,000 Ready Reserve equates to 51,600 veteran business owners. According to SBA and GSA representatives, there is currently "no way to know" how many Reservists do business with the Federal Government. Neither CCR nor FPDSNG request Reserve or Guard status. Also, the Community Reinvestment Act (CRA) does not inquire about veterans, or Reservist or military member/family status for loans.

2. How can the government encourage qualified entrepreneurs to start and expand their small businesses?

The best method for the government to encourage qualified entrepreneurs is to start and expand their small businesses by ensuring there is a robust network of entrepreneur training and business mentoring networks in place solely dedicated to helping veterans go through the exploratory and implementation stages in starting and/or expanding their businesses. Ultimately, veteran business owner's success or failure will rest primarily on his/her abilities, energies and commitments.

3. Are veterans around the country looking for technical assistance from the Center for Veterans Enterprise or are they concentrated in the DC metro area?

Other than presentations at public events, legion members from around the country have reported that they are seeking guidance from CVE that is more specific to contracting opportunities and processes internal to VA. It is a challenge for Federal employees to (try to) provide distanced business counseling to entrepreneurs, as most Federal employees have not been successful entrepreneurs themselves. Veterans should be referred to SBA or other State and local small business development assistance programs that operate in the markets where the veteran lives. Uninformed or bad business advice can be very detrimental to any entrepreneur.

CVE should also take on the role of encouraging the development of a robust Mentor-Protégé program. For example, a program that includes providing veteran companies with sound business techniques, such as the maintenance of organizational stability, financial resources, and bonding requirements.

4. In your testimony you suggest that the Department of Veterans and the Small Business Administration develop a partnership to assist veterans who are interested in participating in Federal procurement.

VA and DoD can and should determine veteran status of any veteran registering in CCR. SBA should provide the business counseling, training, financing and (external to VA) government procurement programs as that are their authority and responsibility. The issue for veteran's entrepreneurship is a lack of adequate resources allocation to the SBA veterans programs. SBA and VA should develop a local collaborative relationship so VA can refer veterans to SBA services in the local area. Congress could push for that collaboration, and provide adequate resources to SBA Veterans to support a nationwide collaborative service delivery system.

5. How should the government determine if a servicemember is qualified?

Veterans and Reserve component members and TAP eligible servicemembers should be eligible for veteran specific small business support programs. A goal should be established for veteran and reservist owned small businesses in the Federal marketplace, and Congress should consider the inclusion of veterans/Reservist/families in the CRA. Congress could also fund the still authorized Veterans direct loan program from SBA, and have SBA coordinate outreach and verification of that program with VA. Direct loan program could also be outsourced as not needing to hired huge numbers of employees.

6. How can VA's Web site be improved to be more helpful to veterans?

VA's Web site should more easily direct veterans to local VISN resources that would help veterans who are looking to do business with their local VA hospital or clinic.

Thank you for your continued commitment to America's veterans and their families

Sincerely,

Joseph C. Sharpe, Jr.
Director, National Economic Commission

Committee on Veterans' Affairs
Subcommittee on Economic Opportunity
Washington, DC.
March 22, 2010

Ms. Christina Roof
National Deputy Legislative Director
AMVETS
4647 Forbes Boulevard
Lanham, MD 20706

Dear Ms. Roof:

I would like to request your response to the enclosed questions for the record and deliverable I am submitting in reference to our House Committee on Veterans' Affairs Subcommittee on Economic Opportunity hearing on *The Department of Veterans Affairs' Center for Veterans Enterprise* on March 11, 2010. Please answer the enclosed hearing questions by no later than Monday, April 19, 2010.

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Sincerely,

Stephanie Herseth Sandlin
Chairwoman

JL/ot

Response to Deliverable Questions from the House Committee on Veterans' Affairs Subcommittee on Economic Opportunity: Hearing on CVE Christina M. Roof, AMVETS National Deputy Legislative Director

Question 1: In your written testimony you stated that the Center for Veterans Enterprise needs to be properly staffed, trained and funded. What staff is CVE lacking, what training is needed and what level of funding is needed?

Response: The Center for Veterans Enterprise promotes business ownership and expansion for veterans and service-connected disabled veterans to increase participation in the Federal marketplace, with emphasis on the U.S. Department of Veterans Affairs. That being said, AMVETS feels that the staff currently employed have been taken away from their primary mission (as stated above) and tasked to act as a inner-governmental agency referral agency. While promoting the use of Veteran Owned Small Businesses (VOSB) and Service disabled Veteran Owned Small Businesses (SDVOSB) is a crucial role in the development of small businesses, it should not be the primary focus of CVE.

In regards to the kind of initial training or continued education, CVE staff needs to equipped with industry specific knowledge or at minimum differences in the varying industry specific needs, entity establishment rules, or be able to provide referral to a lawyer or advisor with experience/knowledge on how to incorporate a VOSB or SDVOSB, and finally all of the other basics that are vital to either establishing a solid foundation for a new business or to help ensure success of already established small businesses. Most private sector small business consultants are trained in handling most aspects of setting up or maintaining compliancy to all Federal and State regulations, thus CVE may find it more cost and time effective to partner with their individual State agencies or local experienced small business advisors to avoid the need for hiring more staff. This is not to imply that CVE staff should totally outsource all of these responsibilities, as CVE may find it more cost effective to build and utilize these strong partnerships until they feel prepared to bring all of required knowledge and duties "in-house." The following is a partial list of the basic

services and educational information I provided to my clients when assisting in the establishment or development of their small businesses, defined as under 50 employees. Again, this is a partial list and is not necessarily in chronological order:

- Application and filing of form SS–4 to acquire their Federal EIN number. This number can be instantly assigned if the CVE staff shows the veteran how to apply online.
- After receiving their Employer Identification Number (EIN) from the Internal Revenue Service (IRS), the veteran needs to be informed and made aware of all the applicable State and local tax identification numbers that are required for owning and conducting business in said State. This information is maintained by the IRS and all state agencies, is updated annually and is free and easily accessible through use of the internet or automatic annual printed materials being provided to whomever requests. This simple, free process should be used by all CVE locations.
- Application process to get approval and registered into the Federal Governments required procurement system database, the CCR. This process can often be confusing and a bit daunting to the first time user, however if staff is given a simple directive with instructions on how to use the CCR or simply practices "dummy applications" it would take no longer than 1 hour to be trained/practiced and ready to assist others with the application process.
- Applying for DUNS identification number to be able to bid on Federal contracts.
- Provide a simple list of experienced, licensed & bonded, and veteran friendly companies or individuals to assist the veteran business owner with the required and extremely important aspects of their businesses. These included, but were not limited to, Certified Public Accountants, attorneys, payroll service providers, insurance providers, such as workers comp, liability, and health. I would also suggest they use a service, if staff not available, in the development and immediate implementation of OSHA regulations, ADA compliancy plan, accident and incident response plans, and any other industry specifics that need to be in place for a small business to bid on Federal contracts. Again these will vary greatly by industry and size of business. If the CVE staff is not able to personally provide referrals to the VOSB and SDVOSB for these provisions, a list should be provided to staff for distribution to business owners. It is also important to remember that VA and CVE are not personally vouching for performance or outcomes achieved by other service providers, they are just simply supplying a list of possible choices that can either be used or not by the VOSB or SDVOSB.

CVE has a very unique opportunity in acting solely in the best interest of the VOSB and SDVOSB when compared to other private and government sector small business assistance agencies. CVE has been granted the authority and appropriated funds to serve as advocates and educators to our veteran business owner community. The integrity and authority of this program must be protected and be allowed to serve the VOSB and SDVOSB it was established to serve. Respectfully, with regards to the financial aspect of the question AMVETS believes any answer we provide will be based purely on speculations due to not having current intra-agency distributions of appropriations spending data. AMVETS will gladly provide feedback should the data become accessible.

Question 2: What role should the Small Business Administration be playing in the veteran business certification?

Response: Although AMVETS strongly believes that preventive proactive controls are the most effective way to minimize fraud and abuse, continual monitoring is an important component in detecting and deterring fraud. Monitoring and detection within a fraud-prevention program involve actions such as data mining for fraudulent and suspicious applicants and evaluating firms to provide reasonable assurance that they continue to meet program requirements. Currently, the only process in place that can detect fraud and abuse in this program is the bid-protest process administered by SBA. Through the bid-protest process, interested parties self-police the SDVOSB program by exercising their right to challenge an SDVOSB award that is suspected to have been awarded to an ineligible firm. This is an ineffective control measure to handle oversight. Furthermore, although SBA's regulations state that firms misrepresenting themselves as SDVOSB concerns may be suspended or debarred from government contracting and may suffer civil and criminal penalties for knowingly making false statements to the SBA, to-date, the SBA program office has never referred any firms for debarment or suspension proceedings, or both, based on SBA findings from its program-eligibility reviews. GAO reported that when asked about its bid protest process, SBA officials have stated numerous

times that the bid protest process focuses on determining the eligibility of a firm for a specific contract and providing details on why a firm was found to be eligible or ineligible. This clearly illustrates the need for clearer delegations of responsibilities and oversight accountabilities. According to the GAO report, SBA officials also stated that bid protest decisions do not include recommendations for suspension and debarment, further proving a lack of understanding and oversight of the validity of the businesses receiving awards from VA's Procurement Department. AMVETS strongly urges the re-writing and overall design of all of the responsibilities each individual agency is responsible for in the SDVOSB verification system. This will prevent fraud, prevent duplications of efforts, and protect the SDVOSB community, as well as the overall integrity of the program.

Question 3: Do you have any concerns regarding fraud in the veteran program as was recently reported by GAO report 10–108 on the Service Disabled Veteran Owned Small Business Program?

Response: Yes. AMVETS has been extremely concerned with the status and operating procedures currently being used by VA regarding procurement procedures. In fiscal year 2007, the Small Business Administration (SBA) reported $4 billion in government wide sole source and set aside SDVOSB contract awards. The GAO report did not come as a surprise at all to us.

GAO found that the SDVOSB program is vulnerable to fraud and abuse, which could result in legitimate service-disabled veterans' firms losing contracts to ineligible firms. In just the 10 cases GAO investigated, they showed the consequences of this lack of control include approximately $100 million of sole source and set aside SDVOSB contracts to companies that have figured out how to manipulate the current system. AMVETS has voiced numerous concerns prior to this GAO report (GAO 10–108). We have always believed these types of fraudulent activities and untruths were unavoidable and likely given VA's lack of oversight and uniformed operating policies and procedures within their acquisitions system AMVETS believes that in all likelihood the GAO report was only the tip of the iceberg in illustrating and providing proof of the losses that VA and the VOSB and SDVOSB communities are sustaining in money, time, and resources due to contracts being misused or awarded under false pretenses. Furthermore, AMVETS finds it to be even more disturbing than the GAO report findings, is that VA is still allowing many of these companies to continue to work on VA property and receive funds that were originally allocated to the set-aside program for SDVOSB, even after the GAO report gave exact names, locations, award/contract details and even pictures of these companies. Yet, to the shock and outrage of the veteran community, VA has not acted or even sought to terminate these openly fraudulent contracts and/or impose any fines or legal measures in an attempt to start to recover lost funds. It is absolutely vital to the entire Federal acquisitions system that VA act immediately on ending these contracts to clearly illustrate that VA, or any other Federal agency, does not tolerate nor do they condone fraud in their procurement processes or any other part of their department and immediately re-award these contracts and much needed jobs to SDVOSB.

How can we expect fraudulent procurement activities to cease if the Department of Veterans Affairs is publicly allowing fraud and pilfering of Federal awards specifically set-aside for veterans by simply not condemning it and standing by as it continues to occur? Why would we expect a company or individual whom has already lied about their veteran status, defrauded VA out of millions of dollars, and has knowingly taken away job opportunities from our disabled veterans to simply cease on their own accord? An effective fraud prevention system is the aggressive investigation and prosecution of individuals who commit fraud against the Federal Government. The SBA, through the bid-protest process, makes determinations of eligibility status in the SDVOSB program. However, there is still not an effective process for prosecution, suspension, or debarment of program abusers. AMVETS finds this to be completely unacceptable. Until VA starts to enforce and put "teeth" to their current accountability measures, the fraud will continue in the same vicious and rapacious cycle, with the VOSB and the SDVOSB paying the price.

Committee on Veterans' Affairs
Subcommittee on Economic Opportunity
Washington, DC.
March 22, 2010

Mr. Tim J. Foreman
Executive Director
Office of Small and Disadvantaged Business Utilization
U.S. Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, D.C. 20420

Dear Mr. Foreman:

I would like to request your response to the enclosed questions for the record and deliverable I am submitting in reference to our House Committee on Veterans' Affairs Subcommittee on Economic Opportunity hearing on *The Department of Veterans Affairs' Center for Veterans Enterprise* on March 11, 2010. Please answer the enclosed hearing questions by no later than Monday, April 19, 2010.

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Sincerely,

Stephanie Herseth Sandlin
Chairwoman

JL/ot

Questions for the Record
U.S. House of Representatives
Committee on Veterans' Affairs
Subcommittee on Economic Opportunity
"U.S. Department of Veterans Affairs Center for Veterans Enterprise"
March 11, 2010

Question 1: How many other agencies have a division similar in scope to the Center for Veterans Enterprise?

Response: The Center for Veterans Enterprise (CVE) is unique in the Federal Government. To our knowledge, no other agencies have a division similar in scope. While all Federal agencies have an Office of Small and Disadvantaged Business Utilization (OSDBU), only VA's OSDBU has a reporting organization that concentrates solely on Veterans' business programs. The CVE mandate, based on Public Law (P.L.) 106–50, and beginning when established in 2001, is to assist Veterans who wish to start or expand a small business and to work with other Federal agencies and corporations to expand the use of Veteran- and service-disabled Veteran-owned small businesses (VOSBs and SDVOSBs). Subsequent legislation (P.L. 108–183, P.L. 109–461) and Executive Order (EO) 13360 expanded and strengthened both the Veterans' business program as well as the mission of the CVE. The Verification program, launched in May 2008, added an entirely new aspect to CVE's mission.

CVE's staff, which consists primarily of Veterans, all have a passion for the mission. This may be one of the most entrepreneurial organizations throughout the Federal Government. In reaching out to other agencies, large corporations and support sector organizations, CVE formed several partnerships and launched various programs to assist Veterans and VOSBs. These include the VetFran program, the Federal Contractor Certification (FCC) program and the VetBiz Initiative for National Sustainment (VINS) pilot. Additionally, each year CVE formally recognizes agencies and corporations who meet or exceed the 3 percent goal for SDVOSBs at our Champions of Veterans Enterprise awards ceremony.

Question 2: Is the VA or VA Office of the Inspector General looking into the fraud that was reported by the GAO report 10–108 on the Service Disabled Veteran Owned Small Business Program?

Response: Under 38 CFR 1.201 VA employees are obligated to report possible violations of criminal laws to management or directly to the OIG; and under 38B CFR 1.204 certain criminal matters involving felonies must be reported to the OIG. On April 8, 2010, the VA Office of the Inspector General (OIG) furnished the reply directly to the Subcommittee. See response from the Hon. George J. Opfer, Inspector General, Department of Veterans Affairs, letter dated April 8, 2010, on p. 54.

Question 3: Can you give us a brief overview of the partnerships that you stated in your testimony and the benefits of these partnerships?

Response: From its inception, CVE has fostered both formal and informal partnerships with other Federal agencies, large corporations and support sector organizations. Some of these partnerships are formalized in Memoranda of Understanding (MOU) or Interagency Agreements (IAA). Others are collaborative efforts that have either extended beyond the terms of current MOUs or are part of larger grass-roots efforts by agencies to assist small businesses. Many of our most forward-looking initiatives and programs depend heavily on the collaboration with our partners.

Our partnership with the Small Business Administration (SBA) creates an easy path for Veterans to start their businesses through referrals to the Small Business Development Centers (SBDCs) and the Veteran Business Outreach Centers (VBOCs). In addition, we have a pending Interagency Agreement with SBA that is specific to protest adjudication.

At the 2009 National Veterans Small Business Conference, Secretary Shinseki stated, "I also need your help in carrying these program efforts forward into every State and municipality. Not all States have established, or have pending, Veterans programs for small business ownership." In response to this call for State-level business opportunity programs for Veterans we have begun an outreach program to the States. Our pending agreements with the States of Washington, Louisiana and Maryland help to create opportunities for VOSBs and SDVOSBs in contracting on the State level, through assistance in drafting legislation and the use of the VIP database for State and local contracting officers.

Our participation in the Interagency Network of Enterprise Assistance Providers (INEAP) helps to provide Veterans with current resources and programs of all the participating agencies through collaborative efforts and communications.

We are working to renew our formal MOU with the Association of Procurement Technical Assistance Centers. The centerpiece of this partnership is the development of the Federal Contractor Certification (FCC) Program. This jointly developed training program offers interested Veteran business owners thorough knowledge in four graduated levels that require a comprehensive exam to earn the certification at each level. When fully developed, a Veteran who holds the Level 4 certification will have a thorough knowledge of Federal contracting and be able to write competent responses to solicitations and perform successfully on contract awards.

Our VetBiz Initiative for National Sustainment (VINS) is a new program being piloted in South Carolina and Colorado for Veteran manufacturers. This program involves Interagency Agreements with both Naval Air Systems Command (NAVAIR) and the National Institutes of Standards and Technology (NIST) Manufacturing Extension Partnership (MEP) programs. It is a business development pilot that provides business and technical assistance to Veteran manufacturers to become qualified sources for extreme backorder parts for the Navy's legacy weapons systems. By leveraging and slightly modifying existing government programs, we will expand opportunities for Veteran manufacturers, expand employment opportunities for Veterans, begin to solve the problem of keeping the legacy systems running and expand the footprint of the Manufacturing Extension Partnership.

CVE established a formal MOU in early 2002 with the International Franchise Association (IFA) to help increase participation of our Nation's Veterans with franchising opportunities and ownership; utilizing the IFA's program called the Veteran Transition Franchise Initiative (VetFran) program. With the cooperation of the CVE and the IFA, the program continues to expand. More than 350 participating franchisors, representing more than 100 different franchise categories, have agreed to help qualified Veterans acquire franchise businesses by providing incentives not otherwise available to other franchise investors. Veterans will get the "best deal" from these companies. As of March 1, 2010, more than 1,500 Veterans have participated in the VetFran program.

CVE established the Corporate Partnership Program to provide direct assistance to Federal primes in support of VOSBs and SDVOSBs. The CVE accomplishes this

goal through the development and implementation of the Corporate MOU Partnership Program. By partnering with large prime contractors we are able to create win-win situations for both the primes and the VOSBs and SDVOSBs. Our first step is to create a working relationship between the prime and Veteran-owned business. We do the majority of this through various outreach methods and events to bring the two together. Then we help the potential subcontractor identify ways they can provide a service to a prime that will benefit that company—thus creating a win-win situation. The Veteran-owned business gains a subcontracting opportunity and the prime gets a product or service that enhances their company's ability to perform well, and complete the contract in the most effective manner. These subcontracting opportunities often pave the way for a VOSB to one day become a prime itself, through the experience of working with a prime and the ability to show past performance on future contracting opportunities.

A MOU between VA and General Services Administration (GSA) was signed in September 2005. The MOU identified a number of partnering activities to further the mutual interests of VA, GSA, and the VOSBs, including:

- establishing relationships in the GSA regions and VA Veterans Integrated Service Networks (VISNs);
- sponsoring regional small business conferences;
- collaborating to educate contracting officers and business owners;
- collaborating to enhance internet capabilities; and
- developing and sharing best practices and lessons learned.

OSDBU's CVE partnered with the GSA to launch a number of initiatives to support Veteran-owned and Service-disabled Veteran-owned small businesses in the Federal market place.

- CVE assisted GSA in the development and award of the GSA VETS IT Government Wide Acquisition Contract (GWAC) and remains the largest user of this acquisition vehicle.
- GSA and CVE worked together to upgrade CVE's Business Owners ToolKit and make it into a professionally-produced GSA product. The co-branded ToolKit was released in May 2006, and contained 22 files educating business owners about the SDVOSB contracting program, how to sell to Federal customers, and giving points of contact in the major Federal agencies.
- CVE and GSA co-authored this GSA publication (ToolKit) marketing GSA contracts as an efficient method of contracting with Veteran-owned businesses.
- GSA and CVE co-sponsored regional small business conferences in partnership with other Federal agencies. These are an effective vehicle to establish closer relationships at the regional level. Twelve CVE/GSA regional conferences were held in FY 2006 and FY 2007.

Question 4: What penalties can VA impose on firms that commit fraud?

Response: Questions 4 and 5 were considered in the context of firms that fall under the auspices of P.L. 109–461.

Penalties include removal from public view in the VIP database and referral to the Office of the Inspector General (OIG). While not technically considered a penalty, VA has authority to debar businesses for misrepresentation of VOSB or SDVOSB eligibility for a period not to exceed 5 years from contracting with VA as a prime contractor or a subcontractor. Further, any deliberate violation of the limitation on subcontracting clause requirements for acquisitions under VAAR Subpart 819.70 may result in action taken by VA officials to debar any service-disabled veteran-owned, veteran-owned small business concern or any large business concern involved in such action.

Question 5: How many companies have been punished for committing fraud in the previous 2 years?

Response: As of April 5, 2010, no firms or individuals have been suspended or debarred from doing business with VA under P.L. 109–461. The government takes suspension and debarment actions against firms or individuals not to be punitive, but to protect the government's interests in future business transactions. Suspension and debarment are remedies available to the government for fraud, in addition to the imposition of criminal fines. VA's Office of Inspector General investigates allegations of fraud and makes recommendations to the Department of Justice for prosecution.

Question 6: What exactly is the Case Management System that you refer to in your testimony?

Response: The Case Management System is being developed to efficiently handle Veteran business owners' applications for Verification. The new system will improve CVE's internal business process by reducing the manual data entry and improving the management of applications. The system would also allow Veteran business owners to electronically check the status of their applications and provide detail information on the current status of the application and the level in which it is being processed. CVE is developing a simplified version of the Case Management System (CMS) as an interim step, and hopes to have that implemented during the third quarter of FY 2010. The full version of the CMS will be developed in concert with the new version of the Vendor Information Pages (VIP) database, and is a part of that solicitation. The solicitation is currently out on the GSA e-buy system. We anticipate that this full version will be implemented about 8 months after the contract is awarded.

The Honorable John Boozman

Question 1: The intent of the small business database provisions in P.L. 109–461 was to provide a database that government contracting officers as well as the private sector could use to easily identify small businesses that are owned and controlled by Veterans and disabled Veterans. In establishing the database of Veteran-owned small business, Section 8127 states, "... the Secretary shall maintain a database of small business concerns owned and controlled by veterans and the veteran owners of such business concerns ... " and, "in maintaining the database, the Secretary shall carry out at least the following two verification functions: (A) Verification that each small business concern listed in the database is owned and controlled by veterans. (B) In the case of a Veteran who indicated a service-connected disability, verification of the service-disabled status of such Veteran." Given that language, how do you justify displaying non-verified businesses?

Response: The database satisfies several functions. In addition to the requirements of Public Law 109–461, the database serves as the communication mechanism to reach businesses in non-Federal markets. These businesses answer 5 basic eligibility questions. Businesses seeking to benefit from P.L. 109–461 contract awards must provide additional information.

If a yet-to-be verified business is challenged, an interested party may protest the status, and if it meets the requirements, will be adjudicated by the Executive Director of the VA OSDBU or the SBA. To date, we have received no VOSB protests.

Question 2: In your written testimony you mentioned several things that will happen in the future to improve operations at CVE. When do you plan fully implementing the following:

Question 2(a): Increasing the resources for CVE;

Response: CVE is currently staffed at 16.5 employees with an authorized ceiling level of 23 employees. CVE is presently using several recruitment options to gain additional staff to meet the ceiling level. We have recently selected the Deputy Director position and have posted Team Leader and Program Specialist positions through Merit Promotion procedures. Additionally, we are recruiting under VA's direct hire authority for Veterans. Although we are aggressively recruiting for additional staff, adequate space continues to be an issue as CVE's current work space can only accommodate a total of 17 employees. As an interim solution, CVE has located an alternate work site sufficient to house the additional employees.

CVE will continue to expedite the hiring process while using several recruitment methods and expects to be fully staffed at the authorized ceiling level no later than the summer of 2010. Additional staff above the current ceiling will be required to efficiently and effectively run the verification program.

Question 2(b): Assisting Veteran owners contracting with states;

Response: CVE has recently begun a State outreach program to assist State level organizations, typically the State-level Department of Veterans Affairs, in suggesting Veteran-business-friendly legislation. To that end, we have developed sample legislative language that can be used to develop State legislation. Pending partnership agreements are with Washington, Louisiana and Maryland, and we hope to expand to several more States in the near future with the goal to provide VOSBs and SDVOSBs enhanced opportunities to market their products and services at the State level.

Question 2(c): The NIST/MEP initiative;

Response: The NIST/MEP initiative is called the VetBiz Initiative for National Sustainment (VINS). The pilot has just launched in South Carolina, and we expect that the second pilot site of Colorado will be launched by May 2010.

Question 2(d): Require business documents to be submitted with the application;

Response: The business documents that will be called in with each application vary according to the business structure, i.e. sole proprietorship, chapter S corporation, Limited Liability Corporation, etc. At a minimum, business licenses, Articles of Incorporation or Operating Agreements, payroll records and business and personal tax returns will be required. Please see Attachment A for a list of documents by business type. Our examiners will have to be trained to examine these documents in a consistent manner.

We plan to phase in the implementation beginning immediately with limited document review for VA offerors. As staff members are hired and trained, and as the infrastructure needed is put into place, the document review will be expanded to all priority groups.

Question 2(e): When will you award the contract for the new Case Management System; and

Response: CVE is developing a simplified version of the Case Management System (CMS) as an interim step, and hopes to have that implemented during the third quarter of FY 2010. The full version of the CMS will be developed in concert with the new version of the Vendor Information Pages (VIP) database, and is a part of that solicitation. The solicitation is currently out on the GSA e-buy system. We anticipate that this full version will be implemented about 8 months after the contract is awarded.

Question 2(f): Randomly sampling requirements.

Response: CVE is currently tracking the results of the quality review of the contractor's examinations of applications for the Verification Program. This will continue for a 60-day period. Upon completion of the 60-day review and collection of results, CVE will analyze them to determine whether random sampling of the quality review process can effectively be initiated. If implemented, the random sampling should expedite the processing of Verification applications and will allow CVE to shift current Quality Review Staff to other critical functions within the Verification program.

Question 3: The Department of Veterans Affairs has stated that it awarded about 14 percent of contract dollars with Veteran and service-disabled Veteran-owned small businesses. Is that 14 percent of all contracting dollars or just those made under open market purchases?

Question 3(a): If only those made under open market purchases, what would the percentage be if all other sources such as the Federal Supply Schedule were included?

Response: There is no distinction in goals between open market and non-open market purchases. The goals apply to VA's total spend. Even though FSS contracts are awarded by GSA (VA in the case of FSS Groups 65 and 66), the agency that spends against them may take the socioeconomic credit that accrues from those expenditures. VA's performance with regard to contracting with Veteran and service-disabled Veteran-owned small businesses has increased over the last several years. At the end of FY 2009, service-disabled, Veterans-owned, small businesses received approximately 16.3 percent of VA contracting dollars and Veteran-owned, small businesses received approximately 19.3 percent of contracting dollars.

Attachment A

List of Documentation to be Produced

Below is a listing of documents that should be made available to the Center for Veteran's Enterprise. For organizational purposes, documents should be provided in sequential order as identified to the list below.

Center For Veterans Enterprise (CVE) Application Document Checklist

Due to the size of the company or the length of time that it has been in existence, the following documents may or may not exist or may not be applicable (N/A) for the company. In addition, some documents may not be "readily" available for review. If the latter, these documents may be forwarded to CVE for review within one (1) business day. Documents that may be reviewed are established under 38 CFR 74.12 and 38 CFR 74.20.

Documents to be Produced at time of Application	Sole Prop	Part	LLC/ LLP	Corp S or C
General Information:				
Business and/or personal professional, industry, and/or other licenses, permits or accreditations held by Applicant and/or its employees which are required for Applicant to do business	X	X	X	X
Resumes of all owners, directors, partners, officers and other key personnel, which include: education and training received; former employers, dates of employment, position titles and responsibilities; present employer, date of hire, position title and responsibilities	X	X	X	X
Financial Information:				
For Sole Proprietor's, IRS Federal tax form 1040 first page as well as the Schedule C for the past 3 years	X			
For partnerships, IRS Federal Tax Form 1065 and corresponding K–1 for past 3 years.		X		
For both LLC's and LLP, they may elect to file as Sole Proprietorship (*Schedule C*), partnership (Federal tax form 1065) K–1; or S Corporation (1120S) K–1. Please provide corresponding Federal tax documentation corresponding K–1 documentation for the past 3 years.			X	
For S Corporations, Federal tax form *1120S* (plus K–1(s)) (S corporations); For C Corporations, Federal tax form 1120				X
Payroll Distribution Ledger Summary or W–2's for preceding year	X	X	X	X
Signature cards authenticated by financial institutions (Banks/Credit Unions/etc.) and approximately 20 checks from operating account	X	X	X	X
Copies of last 5 contracts and proposals	X	X	X	X
Management Information:				
Management and Services agreements, to include Lease agreements and negotiated checks or instruments supporting payment of the agreements	X	X	X	X
Operating Agreement including all amendments	X	X	X	X
Legal Structure:				
Ownership voting (i.e. proxies and voting trust agreements)		X	X	X
Partnership Agreement, including all amendments		X		
Shareholders Agreement, including all amendments			X	X

Center For Veterans Enterprise (CVE) Application Document Checklist—Continued

Due to the size of the company or the length of time that it has been in existence, the following documents may or may not exist or may not be applicable (N/A) for the company. In addition, some documents may not be "readily" available for review. If the latter, these documents may be forwarded to CVE for review within one (1) business day. Documents that may be reviewed are established under 38 CFR 74.12 and 38 CFR 74.20.

Documents to be Produced at time of Application	Sole Prop	Part	LLC/ LLP	Corp S or C
Equity participation or equity plans, restricted stock or ownership interests or options for stock or ownership interest or plans therefore (If necessary, in attached notes section, identify all holders of options and/or participants in such plans)		X	X	X
Official Certificate of Formation and Operating Agreement with any amendments	X	X	X	X
Minutes of first and most recent stockholder and Board of Directors meetings		X	X	X
All corporate bylaws and all amendments		X	X	X
Articles of Organization, including all amendments			X	
Articles of certificate or incorporation filed with the Secretary of State including all amendments				X
Stock registers for Applicant or stock ledgers showing listing all shares of issuance.		X	X	X

U.S. Department of Veterans Affairs
Office of Inspector General
Washington, DC.
April 8, 2010

The Honorable Stephanie Herseth Sandlin
Chairwoman
Subcommittee on Economic Opportunity
Committee on Veterans' Affairs
United States House of Representatives
Washington, DC 20515

Dear Madam Chairwoman:

This is in response to your March 22, 2010, letter to Mr. Tim J. Foreman, Executive Director, Office of Small and Disadvantaged Business Utilization, Department of Veterans Affairs, following the March 11, 2010, Subcommittee's hearing on *The Department of Veterans Affairs' Center for Veterans Enterprise.* VA forwarded one of your questions to the Office of Inspector General (OIG) since it requested information on OIG activities related to Government Accountability Office report, *Service-Disabled Veteran-Owned Small Business Program—Case Studies Show Fraud and Abuse Allowed Ineligible Firms to Obtain Millions of Dollars in Contracts.* Enclosed is our response.

Thank you for your interest in the Department of Veterans Affairs.

Sincerely,

/s/by Richard J. Griffin for
GEORGE J. OPFER

Enclosure

Office of Inspector General Response
To Questions from the Subcommittee on Economic Opportunity
Committee on Veterans' Affairs
United States House of Representatives
Hearing on the Department of Veterans Affairs'
Center for Veterans Enterprise

Question: Is the VA or VA Office of Inspector General looking into the fraud that was reported by the GAO report 10–108 on the Service-Disabled Veteran-Owned Small Business program?

Response: The VA Office of Inspector General (OIG) is investigating a number of Service-Disabled Veteran-Owned Small Businesses (SDVOSBs) based on allegations received from a variety of sources. OIG's investigations include the matters referred to in the Government Accountability Office's report, *Service-Disabled Veteran-Owned Small Business Program—Case Studies Show Fraud and Abuse Allowed Ineligible Firms to Obtain Millions of Dollars in Contracts.* Although we cannot discuss the specifics of ongoing criminal investigations, SDVOSB cases typically involve allegations of (1) ineligibility, such as a company associating with a service-disabled veteran (SDV) solely for purposes of obtaining the contract award noncompetitively where the SDV does not meet the ownership and control requirements for eligibility; and/or (2) improper performance, which usually involves subcontracting out more than the permissible portion of the contract work to non-SDVOSB firms. We will report on the results of arrests, indictments, prosecutions, and sentencing involving SDVOSB investigations, should such actions occur, through press releases and the OIG Semiannual Report to Congress.

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