

The Stop Stolen Valor for Service-Disabled Veteran-Owned Small Business Contractors Act

SUMMARY

The federal government has a statutorily mandated goal to award at least 3% of its prime contracting dollars and 3% of its subcontracting dollars to service-disabled veteran-owned small businesses (SDVOSBs). The federal government already exceeds this goal, with current contracting dollars going to SDVOSBs making up over 4% of total contracting expenditures. This is a non-binding goal; however, it allows federal contracting officers to preference SDVOSBs in the contracting process.

To assist federal agencies in meeting these goals, and to promote the participation of SDVOSBs in the federal marketplace, the Small Business Administration (SBA) administers a SDVOSB prime contracting certification program. Applicants to the SDVOSB program undergo a verification assessment by the SBA to ensure that they are truly service-disabled veteran-owned small businesses, eligible for the program. Even though this certification program exists, SDVOSBs are still allowed to *self-certify* as SDVOSB and compete for certain contracts, such as full and open contracts and general small business set-aside contracts. Despite public opposition, the SBA is permitting agencies to count contract awards made to self-certified SDVOSBs towards their SDVOSB small business goals, even though the firm has not been vetted as truly service-disabled veteran-owned. These are the problems this legislation attempts to combat:

- **Self-certification perpetuates fraud:** The veterans small business contracting community has long condemned the continued allowance of SDVOSB self-certification, raising concerns that this perpetuates fraud and stolen valor, harming the integrity of SDVOSBs as a community, in the eyes of government buyers.
- **Reduction in available opportunities for certified SDVOSBs:** Continued self-certification also reduces available opportunities for SDVOSBs who have taken the time and expended valuable resources to get certified, since agencies may lose incentive to continue awarding work to these entities once they've reached their SDVOSB goals.
- **Disincentivizes utilization of SBA's SDVOSB program and corresponding contracting authorities benefitting certified SDVOSBs.** SBA's SDVOSB program authorizes government agencies to limit competition for certain contracts among SDVOSBs only (called SDVOSB set-asides), and allows agencies to issue direct awards to SDVOSB-certified firms. Access to these coveted contracts are the primary reason why firms choose to undertake the rigorous certification process. Unfortunately, because the SBA is continuing to allow agencies to count awards made to self-certified firms towards their SDVOSB goal, this allows agencies to meet their SDVOSB goals faster and more easily than going through the process of creating SDVOSB set-asides and issuing SDVOSB sole-source awards. The latest fiscal year data shows that less than 5% of all dollars counted towards the WOSB prime contracting goal were awarded through a WOSB set-aside or WOSB sole-source award.

This bill would effectively eliminate self-certification by disallowing agencies to obtain credit towards their SDVOSB prime or subcontracting goals if the contract was not awarded to a certified SDVOSB. Thus, businesses lose any incentive they have to self-certify, and federal agencies lose any incentive to award contracts to self-certified SDVOSBs, as doing so will no longer afford them any advantage.

SECTION-BY-SECTION

Section 1: Short Title

This section titles the bill “The Investing in Veteran Entrepreneurial Talents Act”, or the “Investing in VETS Act”

Section 2: Increase in Governmentwide Goal for Participation in Federal Contracts by Small Business Concerns Owned and Controlled by Service Disabled Veterans

This section increased the governmentwide goal for SDVOSBs from 3% to 5%.

Section 3. Exclusion of self-certified SDVOSBs from Governmentwide and Agency Goals

This section effectively eliminates self-certification by limiting agencies ability to count only certified service-disabled veteran-owned small businesses (SDVOSB) towards their SDVOSB goal.