

Testimony of

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“Continuing to Serve: From Military to Entrepreneur”

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Good afternoon Chairman Valesquez and Members of the Committee, my name is Laurie Sayles, I am a veteran who served ten years in the United States Marine Corps and now the owner and founder of Civility Management Solutions (CivilityMS), a professional consulting company working within both the government and commercial space. I am a member of Vet-Force and Women Impacting Public Policy (WIPP), both organizations have assisted me in my growth and the shared with me the need to be both an owner, and an advocate.

CivilityMS provides project, program, financial and grants management; training; conference logistics, acquisition and administrative support through contractual work for several federal agencies such as Department of Homeland Security, Department of Transportation, Department of Health and Human Services, U.S. Army, U.S. Air Force, NASA, GAO, and the Department of Veteran Affairs. Additionally, we have both prime and sub-contracts with State and Local Governments such as Maryland Department of Education, Maryland Department of Housing, Maryland Aviation and Administration and Baltimore County, which being a veteran owned business in Maryland was beneficial in obtaining the state work.

While my company is able to obtain such clients through the procurement and contracting process through the Small Business Administration (SBA) and the Department of Veteran Affairs (VA), as I am a VA verified Service-Disabled Veteran Owned Small Business (SDVOSB); SBA certified Economically Disadvantaged Woman Owned Small Business (EDWOSB); Woman Owned Small Business (WOSB); and certified 8(a) Small Business. I, like many, have my share of experiences with the SBA and the VA to acquire the proper certifications. Thus, my testimony today will address the requirements of these contract programs with the hope of

providing recommendations to the Committee that will assist in enabling the SBA to obtain its desirable outcomes for veteran business owners.

I always knew that I would become an entrepreneur. From my early beginnings in my parents' home in Chicago selling candy to the neighborhood kids, modelling professionally on the magnificent mile, and after serving trying medical billing, and landing in promoting a healthy lifestyle, to include an exercise boot camp program before establishing CivilityMS. Thanks to my active duty in the Marine Corps, I increased in leadership, integrity, teamwork and persistence, which is essential in starting a business. I earned the respect as an African American woman in a man's world. Now, I am an outspoken advocate for veterans, as I was elected as the first Woman Veteran Officer on the Veteran Entrepreneurship Task Force (VET-Force) Committee and was nominated to become a representative on the SBA Inter-Agency Veteran Task Force. With VET-Force, I listen to many fellow veteran small business owners and the frustrations that they face as they strive to ascertain VOSB and SDVOSB certifications and contracting opportunities.

For many veterans, returning to civilian life can be difficult. It's a process and takes time to adjust. Adding the desire to start a business only creates another level of adjustment and perseverance. Working with many government agencies can become frustrating and difficult especially understanding regulations and rules that are applicable to one's specific industry. For veterans, we also have an additional agency, the VA, that has added frustrations in many areas, to include verification and opportunities. While there are small business certifications for veterans who are seeking contracting opportunities with the government and those who are disabled-veterans seeking as well, many acquire their certification from the VA; however they can self-certify with the SBA. The issue is that the two agencies have different definitions and

standards of control. In some cases, we have seen the VA require a service-disabled veteran exercise with absolute control over the SDVOSB, meanwhile the SBA recognizes non-veteran owners as having a say over some matters in their business. Clearly, this creates a level of confusion to many veterans who could be an SDVOSB under the VA's regulations, but not the SBA's which is the case for my company.¹

Recently the SBA has spearheaded efforts to address this and several other issues by publishing "rules" on September 28, 2018, which require service-disabled veterans work at their company during normal business hours.² The SBA however has not included a full-time of business hours requirement, which means a veteran can have other opportunities and the ability to control the company's management and daily business operations. But if veterans are not able to work at the company during its normal business hours, there is a rebuttable presumption that veterans are not actually in control.³

The SBA would also prefer veterans work closer to their headquarters or jobsites as the published rules mentioned that a veteran "is not located within a reasonable commute" to the company, there's a rebuttable presumption that he or she does not control the firm.⁴

¹ SDVOSB Eligibility Update: SBA Issues New Rule

Posted on [September 28, 2018](#) by [Matthew Schoonover](#) <http://smallgovcon.com/service-disabled-veteran-owned-small-businesses/new-sba-rule/>

² id.

³ id.

⁴ id.

Under the new final SBA rules I mentioned prior, there are several examples of circumstances that may cause the SBA or VA to find a veteran who does not satisfy the unconditional control requirement.⁵ One example of this would be if the SDVOSB has a business relationship “with non-service-disabled veteran individuals or entities which cause such dependence that the applicant or concern cannot exercise independent business judgment without great economic risk.”⁶

Mr. Schoonover also addresses some additional provisions in his article from the new published rules which SBA align to existing VA regulations. For some veterans, who may have hoped that using the SBA’s regulations would eliminate some of the more cumbersome VA requirements, the SBA’s adoption of these requirements may be disappointing. The new published rules are a first major step in clarifying the SBA’s SDVOSB ownership and control requirements. For years, we all know, the SBA’s SDVOSB regulations are ambiguous. Even the SBA’s Administrative Judges have resorted to using the 8(a) Program regulations to evaluate certain aspects of SDVOSB compliance.⁷ Whether one agrees or disagrees with a specific requirement, it’s better to know that it exists, instead of being caught off guard during a protest, when a contract is at stake.⁸

⁵ Matthew Schoonover, *SDVOSB Eligibility Update: SBA Issues New Rule*, SmallGovCon, (Sept. 28, 2018), available at <http://smallgovcon.com/service-disabled-veteran-owned-small-businesses/new-sba-rule/>.

⁶ id.

⁷ id.

⁸ id.

Since the SBA has both the specialty and the expertise in developing, certifying and maintaining verifications it was never clear to me of why the VA would house the verifications of Veteran Owned Businesses. While attending my third VET Force meeting, I inquired about 'why' would I focus on being verified by the VA if the VETS First program was not applicable at all federal government agencies. Especially since most of the attendees were complaining of the difficulty in obtaining the certification. I pressed forward for the verification as my Marine Corp mentor clearly stated to me to 'get it done.' The process was not overly burdensome for me because I went in with knowledge of knowing some of the challenges and being 100% owned, it also reduces the concerns of the VA in the area of 'control.' To keep it simple, the VA should do what they do for Veterans and that is care for our benefits, and the SBA should do what they do for all business owners, and that is provide us with certifications, training and resources to becoming business owners.

The SDVOSB VA verification became an added value because I am involved with VET-Force and know the law on the VETS First program, and the Supreme Court Ruling of justifying through *Kingdomware vs. United States* in 2016. In order to obtain prime contract awards for building past performance CivilityMS pursued Simplified Acquisitions, and we responded to a full and open sources sought for an Exhibit Booth Logistics contract with the Department of Veteran Affairs. We were perplexed when the Contracting Officer (CO) informed us that the Program Manager preferred to work with a woman mid-tier size firm, who had been doing the work for many years. Since I was educated on the VETS First program, I informed the CO that due to *Kingdomware vs. United States*, our SDVOSB had to be considered, and I even suggested that they do a sole-source as we were the only SDVOSB responding with the capabilities. However, it

was maintained as competitive. We have since won this annual competitive contract for four consecutive years since 2016 and it is now a SDVOSB set aside opportunity.

I would also like to note that the Department of Veteran Affairs, Office of Small Business Development Utilization realizes the shortage of Women Veterans participation in VA contracting awards, and with that a pilot program is being established to increase women veteran and service-disabled women veteran education to ensure more access. Please note that since the institution of the VETS First program the VA's WOSB goals have not been met, and women are underrepresented in VA's major buying areas. More disappointingly, due to all of the hardships that women veterans have faced, many of them have decided to not pursue work at the VA. My recommendation would be that the pilot program focuses on building relationships with women veteran business owners to reflect an interest in the services and/or products we provide.

As there are 9,878,397 women-owned businesses in the United States.⁹ That's an increase of 2,086,282 businesses, or 26.8%, from 2007. Of nonfarm and privately-held businesses, 36.3% are women-owned, in 2007, 28.8% were women-owned. Women-owned businesses have generated more than \$1.4 trillion in receipts. Despite these great strides, women-owned businesses remain at a disadvantage in many ways, particularly within the federal procurement marketplace. There are currently 70,000+ WOSB registered to do business with the federal government. The SBA recognizes the impact that veterans have on the American

⁹ Women-owned businesses, as defined by the U.S. Census, are businesses in which women own 51 percent or more of the equity, interest, or stock of the business. Men-owned businesses are defined as men owning 51 percent or more of the equity, interest, or stock of the business. Equally men-/women-owned businesses those in which the equity, interest, or stock of the business is shared 50-50 among men and women owners. Publicly held, foreign-owned, and non-profit businesses are not included in this data.

economy, including women. According to the most recent data, there is about one veteran-owned firm for every ten veterans, and veteran-owned firms employ 5.8 million individuals. A recent SBA study also found that military service exhibits one of the largest marginal effects on self-employment, and veterans are 45% more likely to be self-employed than non-veterans.¹⁰

Table 1. Veteran Population Statistics

Veterans	Male Veterans	Female Veterans	Veteran-owned firms	Employees of Veteran-owned firms
21.2 million	19.4 million	1.8 million	2.4 million	5.8 million

Sources: Bureau of Labor Statistics, Employment status of the civilian population 18 years and over by veteran status, period of service, and sex, not seasonally adjusted, May 2012; U.S. Census Bureau’s Survey of Business Owners (SBO), 2007.

While HR 190, was a great first step in its passage in the House, 8(a) companies obtain sole source contracts at \$4/6.5 million without market research or justification while tribal 8(a)s are eligible to be awarded contracts under \$20 million without justification and above \$20 million with justification. SDVOSBs, WOSBs, and HUBZones require a contracting officer to justify through market research that not two or more offers are at a reasonable price are expected. It is my recommendation that Congress put all socioeconomic and earned status (VOSB/SDVOSB) contracting programs on equal footing. One group should not have a variance over another. The work should be on the business owner to market their companies offerings and deliver their offerings timely and at the best cost.

Last, but certainly not least, subcontracting is of great importance to small businesses. Although government data is not easily accessible, we hear from many small businesses that

¹⁰ <https://www.sba.gov/content/facts-veterans-and-entrepreneurship>

often subcontractors listed in a prime's subcontracting plan end up with no work or less work than they anticipated. While we recognize that there are many reasons why prime contractors need to deviate from their subcontracting plan, we believe that more transparency and accountability would help. By that I mean, that someone in an agency must be responsible for monitoring compliance and raise questions if the prime's utilization of subcontractors is falling significantly below its subcontracting plan.

Beyond myself, I am aware of way too many incidents where fellow business owners that are striving to enter the federal government are burned by prime contractors, that includes small business owners. The government, PTAC, and other sources will inform any new business to look for subcontracting opportunities as a entry way to support the federal government. Once that is done, many new small businesses are ending up with little to no work on the contract upon award. Since the federal government has no commitment to the subcontractor, the small business is left to either taking the prime to court, which is a big expense or simply walk away.

I had this happen to CivilityMS, as I offered up an 8(a) direct award to a company that stated they would mentor me and my company into federal government contracting. However, upon award of the \$4MM contract providing financial and grants management and administrative support the company did not offer a fair and equitable split of the work. Whereas, I am blessed to have gotten to keep some work on the contract for four years, but upon a six-month extension, my company was dropped from the contract. When this happened, I had to lay off three individuals and decrease the salaries for the remaining corporate personnel. Now, this is my story; however, I am aware of other newly developed small businesses that supported the

prime in getting the work, but yet received no revenue from being on the contract as a subcontractor.

Let me suggest that small business advocates in the federal agencies be empowered to take on this role. Since large prime contractors report this data bi-annually, small business contracting officers should be required to review where each prime contractor stands in regard to meeting their subcontracting goals on specified contracts. However, even the small business primes should be required to submit this data. If the prime falls significantly below its stated subcontracting goals, justification from the prime and steps to meet the goal should be required.

Creating a pathway forward for veterans, women and socially disadvantaged to have success means thriving in their businesses is important, however accountability and proper implementation is necessary to ensure the playing field is truly equal for everyone to have a fair shot. The VA continuously meets the goal of SDVOSB's basically due to the VETS First Program, but as we see the growth of more veteran small business owners the addition of all federal agencies meeting this goal can be prevalent when the SBA has oversight of the VA certification. I urge the Committee to ensure that we make the contracting programs a priority and strengthen the Small Business ability to grow their business.

This concludes my testimony and I am happy to answer any questions.