

*DoD Inspector General report shows mismanagement of effort to set aside contracts for companies owned by disabled veterans*

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**WASHINGTON, DC** – Congressman Joe Courtney today wrote to Secretary of Defense Leon Panetta to express concern with the Pentagon’s effort to set aside contracts for companies owned by disabled veterans. According to a [report](#) from the Department of Defense Inspector General, a sample of 27 contracts from FY2010 found \$340.3 million in work was awarded to contractors “who potentially misstated” their company’s eligibility for the federal contracting set-aside program for service-disabled veteran owned small businesses (SDVOSB).

Rep. Courtney has worked to ensure that contracts intended for SDVOSBs went to veteran-owned businesses. To that end, in the 111<sup>th</sup> Congress he introduced H.R. 6022, the Veteran-Owned Small Business Contracting Fairness Act, which would have required the Secretary of Veterans Affairs to verify that businesses were owned and controlled by veterans or service-disabled veterans before they could be included in the Department’s database of businesses eligible for federal contracts. The Veterans Benefits Act of 2010 (Public Law 111-275), which he supported and is now law, included a similar requirement that those seeking contracting opportunities set aside for service disabled veterans be first verified as being eligible.

In his letter today to Sec. Panetta, **Courtney wrote:** “[The] report states that procedures to verify that recipients were eligible for these set-aside contacts ‘were not adequate’ and that ‘if the office does not establish adequate procedures, it will continue to convey the message that assisting service- disabled veterans is not a priority.’ The report added that ‘the lack of action compromises the integrity and intention of the program, which is to serve veterans with disabilities incurred or aggravated in the line of duty.’

“I am deeply concerned about this report and the lack of adequate controls in the department’s awarding of set-asides under the law established by Congress to give those individuals who have been wounded in service to their country a fair chance at federal contracting opportunities.”

The full text of Congressman Courtney's letter to Sec. Panetta is below:

March 6, 2012

The Honorable Leon Panetta  
Secretary of Defense  
1000 Defense Pentagon  
Washington, DC

Dear Secretary Panetta:

I write today to express my serious concern about a recent Department of Defense Inspector General report that found significant shortcomings with the Department of Defense's service-disabled veteran owned small business set aside program.

As you know, the Veterans Benefits Act (VBA) of 2003 established the federal contracting set-aside program for service-disabled veteran owned small businesses (SDVOSB). In 2004, an executive order from then-President George W Bush established a goal of awarding three percent of all federal contracting dollars to SDVOSBs. However, the Department of Defense has fallen short of that goal – most recently awarding \$5.3 billion, or 1.8 percent, of its contracting dollars under the set-aside in FY2010. The higher unemployment rate among veterans – something the Administration has tried to address with new veterans hiring tax credits – could also be alleviated with this set-aside, which would give entrepreneurs and veterans an opportunity to grow their businesses.

More alarming is the recent report from the Inspector General that found that in a sample of 27 contracts from FY2010, \$340 million in federal taxpayer dollars were awarded to contractors "who potentially misstated" their company's eligibility for SDVOSB set-asides. Another six contracts cited in the report, valued at approximately \$1.9 million, were awarded to ineligible contractors. Further, the report states that procedures to verify that recipients were eligible for these set-aside contracts "were not adequate" and that "if the office does not establish adequate

procedures, it will continue to convey the message that assisting service- disabled veterans is not a priority.” The report added that “the lack of action compromises the integrity and intention of the program, which is to serve veterans with disabilities incurred or aggravated in the line of duty.”

I am deeply concerned about this report and the lack of adequate controls in the department’s awarding of set-asides under the law established by Congress to give those individuals who have been wounded in service to their country a fair chance at federal contracting opportunities. I would note that in 2010, Congress passed the Veterans' Benefits Act of 2010 (Public Law 111-275) which, in part, was aimed at ensuring verification of SDVOSBs. Sec. 104 of that law required that businesses seeking to be listed in the VA-maintained database of small businesses owned and controlled by veterans first be verified that (1) the small business is owned and controlled by veterans and (2) if the small business owner claims to be a service-disabled veteran, that such person is a veteran with a service-connected disability.

While this database was specifically established to provide accurate, verified information about the eligibility of businesses for the SDVOSB set-aside, it is my understanding that the VA is the only federal agency or department specifically *required* to limit their award of SDVOSBs to those companies listed in this database. Further, it is my understanding that the Department of Defense, like other agencies and departments, primarily relies on bidders to self-identify as being eligible for an SDVOSB set-aside or uses other databases that could include inaccurate or outdated information. The VA database, however, remains accessible and available to all other departments and agencies for eligibility verification purposes.

To this end, I ask that you provide an explanation of your department’s process for verifying the eligibility of those companies seeking SDVOSB set-asides, as well as the steps that the department will take to address the findings of the Inspector General report. Further, I request the department’s perspective on expanding its use of the VA-maintained database in such verification, as well as ways in which the department plans to meet its SDVOSB contracting goals.

Thank you, as always, for your unyielding commitment to our men and women in uniform. I look forward to your response and the chance to work with you to ensure that our wounded veterans have a fair shot at defense contracting opportunities.

Sincerely,

JOE COURTNEY  
Member of Congress

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