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**GAO Reports on Fraud by Large Businesses Posing as Small**

For years ending 2000 and 2001, the federal government has fallen short of its statutory annual goal to send 23% of procurement dollars to small businesses. This shortfall actually may be larger than reported due to possible procurement fraud that is currently under investigation.

The General Accounting Office released this month a report on widespread fraud by large companies obtaining federal contracts by self-certifying as small businesses. The GAO told the staff of Rep. Nydia Valazquez (D-NY) that it has found billions of dollars of federal contracts improperly awarded to large businesses.

The GAO's investigation was launched after the Microcomputer Industry Supplier Association (MISA) president, Lloyd Chapman, undertook research of his own regarding the extent of the problem. Lloyd Chapman is the general manager of GC Micro, a Novato, CA information-technology company, who lost a \$50,000 federal contract to GovConnection.

Upon losing the contract, Chapman reviewed GovConnection's listing on PRO-Net, the U.S. Small Business Administration's on-line list of small companies. Located in Maryland, GovConnection was listed on PRO-Net as having only 50 employees; however, GovConnection actually has more than 1,300 employees; posted sales of more than \$1.2 billion in 2001; and is wholly-owned by PC Connection, Inc., a publicly-traded Fortune 1000 corporation headquartered in New Hampshire.

Chapman presented evidence of fraud by large companies to the General Accounting Office, the Small Business Administration, the U.S. Attorney's Office in Washington, D.C., and to congressional Small Business Committee staffs. Chapman persuaded the General Accounting Office to open an investigation.

Other MISA members have also lodged complaints with these agencies regarding fraudulent activity of large firms posing as small businesses. Chapman and other MISA members are also considering a class-action lawsuit against any cheating company and possibly the government-related agencies that took no action against the cheaters.

The New Mexico 8(a) & Minority Business Association fully supports Chapman and intends to join MISA in the effort. We support the investigation of companies representing themselves as small businesses when, in fact, they are not. We also support prosecution, penalties, disbarment, and the removal of the company name from the PRO-Net Web site.

*Register Now!*

The DOE  
4th Annual  
Small Business Conference  
will be held in Albuquerque  
May 12-15

For registration information,  
call (505) 843-7114  
or visit

[www.smallbusinessoutreach.doe.gov](http://www.smallbusinessoutreach.doe.gov)

### **SBA Finds Many Large Companies Posing as Small**

Unfortunately, large-business fraud is not limited to the microcomputer industry. In 2002, the Small Business Administration received 273 size protests of which 85 companies were confirmed not small.

“These figures indicate that over 30 percent of the protests are legitimate,” says Anna Muller, President of NEDA Business Consultants, Inc. “That number is alarming and indicates that fraud is rampant.”

Since the investigation began, it is reported by Garry Jackson, SBA assistant administrator for size standards, that the SBA “is looking at about 60 companies listed on its PRO-Net system that appear to exceed size standards.” Jackson states that if the companies exceed size limits, they will be removed.

### **GSA and SBA Propose New Standards**

Many companies do not take the recertification steps for follow-up contracts because the company grows to exceed size standards after they received and are working on a government contract. While the Small Business Administration practice has been to treat them according to the small size standards for the duration of the contract as well as any options, the SBA recently proposed a regulation to require re-certification for follow-on contracts, but not for the exercise of options.

In contrast, the General Services Administration announced a new policy in November that requires contractors operating under Multiple Award Schedules in GSA's Federal Supply Service, or under other multiple award schedules, to re-certify each time their contracts are open for renewal.

Angela Styles, administrator of the Office of Federal Procurement Policy (OFPP), states she is “committed to straightening the system.” According to Styles, she is working to require re-certification every year. She admits, however, that yearly re-certification “may be too much of a stretch.”

MISA has told the Small Business Administration that it should follow the policy being developed by the GSA. It has further recommended that any regulation the SBA adopts should address the situation in which a small firm with a federal contract is acquired by another and becomes ineligible as a small business. The New Mexico 8(a) & Minority Business Association is urging new

policies regarding re-certification and is forwarding its recommendations to the U.S. Hispanic Chamber of Commerce 13th Annual Legislative Conference in March. ♦

### **Bundling Costs Small Businesses Billions of Dollars**

Contract consolidation (bundling) cost small businesses \$13 billion in lost procurement dollars in FY 2001 according to a report prepared for the Office of Advocacy (OA) in the U.S. Small Business Administration.

The report was prepared by Eagle Eye Publishers of Fairfax, VA, and is evidence that contract consolidation is a reality, and that federal agencies need to produce results to balance the efficiencies of bundling with providing opportunities for small businesses.

Alice Quintanilla, President of the New Mexico 8(a) & Minority Business Association, notes that while the federal government promotes a speedy, efficient procurement system, speed and efficiency, when it takes the form of contract consolidation, is often at the expense of small businesses. Contract bundling not only costs small businesses, but also the federal government. Lost is the benefit of goods and services competitively provided by a diverse and competent entrepreneur base. Such loss can cause the government—and the taxpayers—to pay higher prices.

The Office of Federal Procurement Policy in the Office of Management & Budget reports that in FY 1991-2001, the number of federal contracts declined from 86,000 to 34,000 and the number awarded to small businesses dropped from 26,500 to 11,600.

### **Reforms Likely to Go Through**

President Bush has directed the Office of Management & Budget to study contract bundling and to determine ways of breaking down those contracts when possible.

The President's commitment appears to be good news for the small business owner, as pressure from the Administration will cause agencies to change how they distribute contracts.

Angela Styles, head of the OFPP, notes that it will be difficult to get all the agencies on board because the

current system is so convenient. “The culture must be changed at the top of the agencies,” she says.

According to Anna Muller, “We are encouraged that the President is weighing in on the contract consolidation issue and are confident that positive changes in procurement policy—as well as culture—will take place.”

Several recommendations are currently on the table for reforming acquisition regulations regarding contract consolidation. These recommendations are designed to ensure the accountability of agency heads.

The New Mexico 8(a) & Minority Business Association intends to respond to each of the recommendations when public comments are solicited. ♦

## Association Submits

### Recommendations for Legislative Plan

The U.S. Hispanic Chamber of Commerce (USHCC) is hosting its 13th Annual Legislative Conference in Washington, D.C., March 12th and 13th. The conference brings together Hispanic elected officials, government leaders, influential Hispanic entrepreneurs, and members of corporate America to discuss current and critical issues affecting the Hispanic business community.

During the course of the Conference, the USHCC will release its Legislative Plan for the 108th Congress outlining legislative policies and priorities affecting the nation’s Hispanic business community.

The New Mexico 8(a) & Minority Business Association has submitted its recommendations for inclusion in the USHCC Legislative Plan and will be well-represented.

In a letter drafted to the U.S. Hispanic Chamber of Commerce, the Association outlined its position on several key issues that are of extreme importance to minority business owners. The letter contains detailed recommendations regarding these important issues:

- 1) Establishing a statutory goal for the 8(a) program to bring it on par with other socioeconomic programs that have statutory authority;
- 2) Maintaining the current 8(a) certification process and not relaxing it to increase the 8(a) pool;
- 3) Opposing the trend toward contract bundling;

- 4) Creating new policies regarding the re-certification of small businesses;

- 5) Reducing the cost of health care and health insurance;

- 6) Supporting the Federal OSDBU plan to dramatically increase subcontracting opportunities for small businesses, including minority-owned firms;

As Association members and U.S. Hispanic Chamber of Commerce members, we should aggressively support any legislation that has a positive impact for the Hispanic and minority business community.

We should strive to develop a reciprocal working relationship with Senator Snowe and Congressman Manzullo and all the members of both committees. Our members of Congress need to hear from us more than once a year and should be interested in our involvement in the legislative process. ♦

## LAMA Forming Initiative to Work for 8(a) Reforms

The Latin American Management Association (LAMA) is forming an initiative for an advocacy project whose goal is to work for reforms in the 8(a) program.

Although the U.S. Small Business Administration has been working for months on proposed changes to improve the program, according to LAMA president Steven Denlinger, he “doesn’t expect the agency to announce them any time soon.”

Denlinger will present a detailed proposal for the reform project at a meeting in Albuquerque between the LAMA board and the New Mexico 8(a) & Minority Business Association. No date has been set for the meeting, but according to Anna Muller, President of NEDA Business Consultants, Inc., “We fully support this initiative and look forward to working with LAMA to hammer out details of the proposed improvements.”

Denlinger, along with several Association members, has participated in roundtable discussions of 8(a) issues with SBA officials. During those discussions, Denlinger and others have expressed their opposition to relaxing the 8(a) certification process to increase substantially the number of 8(a) firms.

The Association will announce details of the meeting with LAMA as they become available.

## Mark Your Calendars!

Mark your calendars! The U.S. Department of Energy, the Office of Economic Impact and Diversity, the Office of Small and Disadvantaged Business Utilization and The Department's Major Prime Contractors are hosting the DOE's 4<sup>th</sup> Annual Small Business Conference May 12-15, 2003.

This year's theme, "Securing Economic Freedom—Empowering Small Business" provides high visibility for certified small business companies. And, the trade fair includes a section for small businesses along side the federal agencies and the prime contractors.

Come meet Department of Energy technical and procurement officials, prime contractors, federal agencies, and other small-business exhibitors. Dignitaries include Energy Secretary Spencer Abraham, U.S. Senator Pete Domenici, U.S. Senator Jeff Bingaman, and others.

Visit [www.smallbusinessoutreach.doe.gov](http://www.smallbusinessoutreach.doe.gov) to find registration, program, special event, hotel, and other information. The conference will be held at the Albuquerque Convention Center. For more information contact Anna Muller, President of NEDA Business Consultants, Inc., at (505) 843-7114, or e-mail her at [info@nedainc.net](mailto:info@nedainc.net). ♦

## Congratulations!

Congratulations to the 13 New Mexico 8(a) & Minority Business Association members who were listed in *New Mexico Business Weekly's* "THE LIST" of the 2002 top 50 Woman-Owned Businesses. The Association is proud to be represented by this prestigious group of leaders:

- Deborah Valenzuela Baxter  
Integrity Networking Systems Inc.
- Kimberly deCastro, President/  
CEO  
WildFlower International
- Elizabeth Pohl, President  
TC Enterprises Inc.
- Maria Griego-Raby, President  
Contract Associates Inc.
- Betty Chao, President/CEO  
Westech International Inc.
- Roxanne Rivera, President  
PMR Construction Services Inc.
- Mary A. Garza, President/CEO  
Solar Electric Co. Inc.
- Rebecca Maloy, President  
Maloy Construction Inc.
- Cynthia Jiron, President  
Cheyenne Building Contractors Inc.
- Edna L. Lopez, President  
COMPA Industries Inc.
- Yvonne Martinez, President  
Southwest Personnel Inc.
- Sherry Cheng, CEO  
PC Pro Computer
- Prahpai W. Gorman, President  
Access Computer Technologies  
♦

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The New Mexico 8(a) & Minority Business Association's mission is to promote the development of minority businesses by increasing procurement and business opportunities with the Federal government, public sector entities, National Laboratories, prime contractors, and corporations. Membership is open to all minority businesses (small businesses, large businesses, 8(a), SDBs, and HUBZone) that sell their products and services to large institutional buyers. Membership is also open to business associates and organizations interested and involved in fostering minority businesses to further the goals of the Association.