



HOUSE COMMITTEE ON
VETERANS' AFFAIRS
Republicans | Ranking Member Phil Roe, M.D.

H.R. 561 Protecting Business Opportunities for Veterans Act of 2019

Background:

When a Service-Disabled Veteran-Owned Small Business or Veteran-Owned Small Business is awarded a contract under VA's Vets First Program, they are required to perform a certain percentage of the work. There is a longstanding problem of improper "pass-throughs" in the Vets First Program and throughout government contracting, where businesses profit from the contracts while performing little or no work while passing them off to other companies to complete. This problem has escalated since the Supreme Court issued its *Kingdomware* decision, which applied the Vets First Program to all VA contracts.

Although improper pass-throughs have long been prohibited by the Small Business Act of 1953, as amended, and the Federal Acquisition Regulation, VA lacks the tools to detect them and enforce the rules. Service-Disabled Veteran-Owned Small Businesses and Veteran-Owned Small Businesses that play by the rules are being sidelined for contracting opportunities by bad actors abusing the system.

The Protecting Business Opportunities for Veterans Act of 2019 would require participants in the Vets First Program to certify that they are performing the required percentage of work and directs VA to refer suspected violators to the Office of the Inspector General for investigation. The bill also directs the VA Secretary to consider whether existing administrative and criminal penalties for fraudulent representation would apply in each case.

The Message:

- VA gives preference when awarding contracts to Service-Disabled Veteran-Owned Small Businesses and Veteran-Owned Small Businesses.
- Some businesses are obtaining contracts through the preference and collecting profit while passing all the work to other companies.
- This legislation will give VA the tools it needs to detect these improper "pass-throughs" and enforce existing penalties.
- This bill will protect Service-Disabled Veteran and Veteran-Owned Small Businesses that play by the rules from bad actors that are abusing the system.