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TUE JUL 08, 2014 AT 04:05 PM PDT

How Does The SBA Go From Miscoding To “Safe Harbor” For Fraud?

by LChapman for Lloyd Chapman

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I’m confused. Every year since 2003 the Small Business Administration (SBA) has said the rampant diversion of billions of dollars a month in federal small business contracts to corporate giants around the world was just miscoding, anomalies, computer glitches and simple human error.

Now the SBA has announced a **new proposed policy** that would create a “safe harbor” from penalties for firms that commit felony federal contracting fraud? Under the new SBA policy any big business that misrepresented it’s status as a small business to hijack federal small business contracts could simply claim they “acted in good faith” if they were caught. It is essentially a get out of jail free card for contracting fraud.

Federal law stipulates that big businesses that misrepresent themselves as small businesses to receive federal small business contracts can **face up to 10 years in prison, a \$500,000 fine per occurrence or both.**

Imagine a large business intentionally misrepresenting one of its divisions for years as a small business to illegally land hundreds of millions of dollars in federal small business contracts. Legitimate small businesses would have been cheated out of all the contracts the big business received. If and when the large business is uncovered violating a federal law with a penalty of up to 10 years in prison, all they have to do is claim they “acted in good faith” and poof, no jail time and no fines.

So if the diversion of hundreds of billions of dollars in federal small business contracts to corporate giants for over a decade is just simple human error and anomalies, why does the SBA need a new policy establishing a “safe harbor” from penalties for big businesses that commit fraud?

There can’t be any fraud in SBA managed federal small business contracting programs. I have personally seen **SBA spokesmen on national television** saying there is no fraud at the SBA. They wouldn’t lie, they work for the SBA, and they are there to help small businesses.

I think we should use the SBA’s own statements to kill their new “safe harbor” policy. Since the SBA has insisted for over 12 years that there is no **fraud in federal small business contracting** programs, there is no need for a new policy to protect fraudulent firms.

The SBA will be **taking public comment** until August 15. Send them a comment and let them know there is no fraud at the SBA and therefore we don’t need a new “safe harbor” policy to protect fraudulent firms.



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▼ Tip Jar (8+ / 0-)

by LChapman on Tue Jul 08, 2014 at 04:05:21 PM PDT

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▼ Corruption, pure and simple (2+ / 0-)

It seems the SBA is corrupt, and beholden to big business. Why do the real small business members accept this behavior?

An illusion can never be destroyed directly... SK.

by Thomas Twinnings on Tue Jul 08, 2014 at 04:22:04 PM PDT

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▼ Do you know that the penalty (2+ / 0-)

for getting your size wrong is triple the amount of the contract? Not the profit, but the entire contract amount. In other words, the penalty is business-ending. Which would be fine if the firms really were committing fraud. But the **SBA itself has said** that most of the "guilty" had merely suffered from an inadvertent error or mistake. Inane rules that destroy good companies don't benefit anyone.

by doc2 on Tue Jul 08, 2014 at 04:34:14 PM PDT

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▼ Not really. (3+ / 0-)

This lets no one off the hook for merely claiming to have acted in good faith as you say. The rule explicitly requires that the business first get a **written opinion** from the SBA that its business would be classified as small. The safe harbor is only available if the business

if they acted in good faith reliance upon small business status advisory opinions received from Small Business Development Centers (SBDCs) or Procurement Technical Assistance Centers (PTACs).

So a business describes itself to the SBA, the SBA - in writing - gives its opinion as to the business's status. If a business goes through all this, why in the world should it NOT have safe harbor protection from charges of fraud?

by doc2 on Tue Jul 08, 2014 at 04:22:44 PM PDT

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▼ they "acted in good faith" (2+ / 0-)

is the same as "deeply held religious belief".

another way to avoid accountability.

only if you are rich and important and the rich are always important.

"I think that gay marriage is something that should be between a man and a woman." - Arnold Schwarzenegger 2003

by kerplunk on Tue Jul 08, 2014 at 04:30:26 PM PDT

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▼ Where did you find your figures? (0+ / 0-)

So if the diversion of hundreds of billions of dollars in federal small business contracts to corporate giants for over a decade...

Oh oh, I hope THAT doesn't end up in someone's sig line! :) - kos

by Susan from 29 on Tue Jul 08, 2014 at 05:03:10 PM PDT

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▼ **Commented and sent. n/t (0+ / 0-)**

*Information is abundant, wisdom is scarce. ~The Druid.
~Ideals aren't goals, they're navigation aids.~*

by FarWestGirl on Wed Jul 09, 2014 at 08:15:00 AM PDT

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▼ * **[new] This is an American issue (0+ / 0-)**

This isn't a Democratic issue, this isn't a Republican issue; this is an American issue!!! Can we please drop the politics on this and recognize that our government and the SBA have no intentions of "fixing" this problem!

Unless we the people contact our senators, congressmen, and personally spread the word or physically call the SBA (1-800-827-5722) or The Whitehouse (202-456-1111) NOTHING WILL GET DONE!

Small business is the backbone of our economy and we must fight for it because big businesses and big brother hope and anticipate that we won't do anything! Our lack of knowledge as a country, our lack of desire to fight against injustices as people, combined with the pro-active effort of the government to miss-lead and cover up issues enables loopholes to happen and fraud to occur!

Let's put an end to this vicious cycle!!!

by Brett Ernst on Wed Jul 09, 2014 at 10:59:43 AM PDT

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