



Who Woke the Sleeping SBA?

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According to a [recent *Wall Street Journal* article](#), the Small Business Administration is now on the hunt to ferret out bad actors that wrongly take advantage of government programs under its direction. The SBA is notorious for sitting on its hands when it comes to enforcing compliance by companies that claim to qualify under its contract programs. Inaction and lack of oversight have been so bad that the head of the House SBA committee considered shutting down the SBA's HUBZone program. (See our [earlier blog post](#) on this situation.)

And suddenly there was movement. The SBA conducted some 1000 on-site visits in fiscal year 2010 to government contractors participating in the HUBZone program. The number of visits is up more than 40% from the year prior and up significantly more from 2008 and earlier, when the SBA rarely conducted any such visits. The purpose of the visits is to ensure that the companies are in fact operating out of designated economically distressed communities – one of the two major requirements of the HUBZone program, which was implemented to promote commerce in such struggling communities.

The SBA's increased oversight seems to be the result of scrutiny by the House small business committee and the Government Accountability Office. The latter has conducted at least three reviews of the SBA's HUBZone program since 2007. But the SBA nonetheless seems naive to the extent of problems with the program. Joseph Jordan, the SBA's associate administrator for government contracting and business development, was quoted by the WSJ as saying: "The vast majority of these firms are well-intentioned and well-behaved, but occasionally you find a bad actor." Mr. Jordan's statement stands in contrast to





GAO findings. The GAO reported in 2009 that of the companies it examined that were certified by the SBA as HUBZone contractors, an embarrassing number (almost 50%) were unqualified.

Perhaps all this time that the SBA has not acted to vet out bad actors, it has done so out of naivete as opposed to apathy. Regardless – taxpayer dollars should not be squandered by fraudulent contractors. We hope the SBA is not only awake, but aware.

Crime in the Suites is authored by the Ifrac Law Firm, a Washington DC-based law firm specializing in the defense of government investigations and litigation. Our client base spans many regulated industries, particularly e-business, e-commerce, government contracts, gaming and healthcare.

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