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Description of document: Audit or investigative records re: actions taken by the Small Business Administration (SBA) Office of Inspector General (OIG) in response to "apparent fraud likelihood" problems described in the February 21, 2012 Bloomberg article, "Wealthy Enriched by Double-Dipping in Disadvantaged Plan"

Request date: 26-October-2013

Released date: 26-November-2013

Posted date: 20-July-2015

Source of document: Freedom of Information Act request
Chief, Freedom of Information/Privacy Acts Office
Small Business Administration
409 3rd St., S.W., 8th floor
Washington, DC 20416
Fax: (202) 205-7059
Email: foia@sba.gov

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**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

NOV 26 2013

Via Email

**Re: Freedom of Information Act Request
(FR-10/14-01; Case No. 1028-1)**

This is in response to your Freedom of Information Act request dated October 26, 2013, in which you sought copies of audit or investigative records (dated February 1, 2012 to present) which reflect the actions that the Small Business Administration Office of Inspector General took in response to the "apparent fraud likelihood" problems described in the February 21, 2012 Bloomberg article, entitled "Wealthy Enriched by Double-Dipping in Disadvantaged Plan." Your request was referred to this office by the Small Business Administration's Freedom of Information/Privacy Act Office on October 28, 2013, and has been assigned the numbers cited in the caption above.

On October 31, 2013, I understand that you clarified your request by email to acknowledge that you were seeking: "audit and/or investigative records (dated February 1, 2012 to present) which reflect the actions that SBA OIG took (i.e. an investigation or audit) in response to the "apparent fraud likelihood problems" described in the linked article." Thank you for this clarification.

In our search, we located 69 pages of information generally responsive to your request. We are withholding 34 pages in full pursuant to FOIA Exemption 5. Among these pages are copies of the February 21, 2012 Bloomberg article, entitled "Wealthy Enriched by Double-Dipping in Disadvantaged Plan." We presume that you have a copy of this article, but please contact our office at (202) 205-7200 if you would like a copy. We are also withholding part of the information in 11 additional pages pursuant to FOIA Exemption 6. An explanation of the FOIA Exemptions is enclosed. Although the records we are producing do not specifically reflect actions that the SBA OIG undertook, these are records found within our files that appear to be generally relevant to your request.

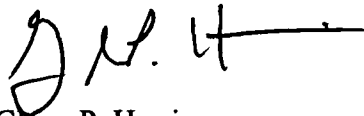
For your information, Congress excluded three discrete categories of law enforcement and national security records from the requirements of the FOIA. *See* 5 U.S.C. 552(c) (2006 &

Supp. IV 2010). This response is limited to those records that are subject to the requirements of the FOIA. This is a standard notification that is given to all our requesters and should not be taken as an indication that excluded records do, or do not, exist.

If you are not satisfied with this reply, you have the right to appeal it, within 60 calendar days from the date of this letter, to the Chief, Freedom of Information/Privacy Acts Office, Small Business Administration, 409 Third Street, SW, Washington, DC 20416.

Should you choose to do so, please include a copy of this letter in your appeal, as well as any other matters you deem appropriate.

Sincerely,

A handwritten signature in black ink, appearing to read "G.P. Harris", with a long horizontal line extending to the right.

Glenn P. Harris
Counsel to the Inspector General

cc: Lisa Babcock, Freedom of Information/Privacy Acts Office



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

February 15, 2012

VIA CERTIFIED MAIL

Darrell Patron Jones
Edlin Company, Inc.
3550 Gordon Highway
Grovetown, Georgia 30814

Dear Mr. Jones:

I am the Suspension and Debarment official at the U.S. Small Business Administration (SBA). The SBA 8(a) Business Development (8(a) BD) program office has recommended that you and your company, Edlin Company, Inc. (ECI), be proposed for debarment from future contracting with any agency of the Executive Branch of the United States Government under Section 9.406 of the Federal Acquisition Regulations (FAR), Title 48 of the Code of Federal Regulations (CFR). Per that recommendation, I am collecting information to determine whether initiating a proposed debarment would be in the government's best interest. This letter notifies you that I am considering the recommendation and provides you with the opportunity to submit a response for my consideration as the SBA's Suspension and Debarment Official.

The recommendation to propose debarment is based upon information gathered by the 8(a) BD program office, indicating that: (1) you may have an immediate family member that used his disadvantaged status to qualify the firm J & B Construction and Services, Inc. (JBC) for participation in SBA's 8(a) BD program; (2) you may have also used your disadvantaged status to qualify ECI for participation in the 8(a) BD program; and (3) both EDI and JBC appear to operate out of the same physical location. The evidence indicates that you and ECI may have violated an 8(a) BD program eligibility regulation at 13 CFR § 124.105(g)(1), which states, "An individual may not use his or her disadvantaged status to qualify a concern if that individual has an immediate family member who is using or has used his or her disadvantaged status to qualify another concern for the 8(a) BD program . . .". There is no evidence that you or ECI requested a waiver of this regulation, as provided in 13 CFR § 124.105(g). SBA regulations define "immediate family member" as "father, mother, husband, wife, son, daughter, brother, sister, grandfather, grandmother, grandson, granddaughter, father-in-law, and mother-in-law." 13 CFR § 124.3.

The evidence presented to me by the 8(a) BD program office indicates that you may have violated 13 CFR § 124.105(g)(1) because you used your disadvantaged status to qualify ECI for the 8(a) BD program and you may have an immediate family member that used his disadvantaged status to qualify another firm for the 8(a) BD program.

The 8(a) BD program is intended to provide 8(a) BD certified companies with business development assistance, including opportunities to obtain federal government contracts through procurement procedures that limit competition to 8(a) BD firms and 8(a) BD sole source contracts. The restrictions listed at 13 CFR §124.105(g) ensure that owners only benefit from the 8(a) BD program once.

In this case, SBA seeks further information from you and ECI to demonstrate whether the evidence that you may have violated 13 CFR § 124.105(g) is so serious as to justify debarment. A copy of the 8(a) BD program applications for JBC and ECI indicate that both firms operate out of the same physical address: 3550 Gordon Highway, Grovetown, Georgia. The 8(a) BD program application for JBC states that Hugh Jones owned a 100% interest in the firm. The 8(a) BD program application for ECI indicates that you, Darrell Patron Jones, own a 100% interest in ECI. According to the JBC and ECI applications for the 8(a) BD program, JBC entered the program on April 20, 1994, and exited the program on April 20, 2003; while ECI entered the program on February 8, 2001, and exited the program on February 8, 2010. There is evidence that ECI had entered a mentor-protégé agreement with JBC.

Accordingly, SBA seeks any and all information regarding your relationship with JBC and Mr. Hugh Jones. Specifically, SBA requests the following supporting documentation (as applicable):

- Any information and argument in opposition to the facts presented in this show cause letter;
- Specific facts that contradict the statements in this show cause letter;
- Please specify any familial relationship between you and Mr. Hugh Jones;
- Please confirm that JBC and ECI operated out of the same address: 3550 Gordon Highway, Grovetown, Georgia.
- Identification of all of ECI's affiliates;
- Evidence of any corrective actions you and/or ECI have taken to ensure that ECI will satisfy the ownership and control requirements on any future 8(a) or small business contracts;
- Any information demonstrating ECI's independence from JBC and that there is a clear fissure between the two companies;
- Whether ECI has ever subcontracted work to JBC, and if so, please identify the contract value and the percentage of work performed by both ECI and JBC;
- Whether JBC has ever subcontracted work to ECI, and if so, please identify the contract value and the percentage of work performed by both ECI and JBC;
- Whether ECI and JBC received any contracts as joint venture partners, and if so, please identify the contract value and the percentage of work performed by both ECI and JBC;
- Whether, and if so to what extent, you perform any work as an employee, officer, or manager at JBC;

- Please list any facilities, equipment, or employees that were shared between ECI and JBC; and
- Please state the NAICS codes under which ECI and JBC operate or did operate.

If you and ECI are ultimately debarred, the debarment would preclude, without limitation, your participation in Federal procurement or non-procurement programs and activities.

Within 30 calendar days after receipt of this notice, you may submit in writing information and argument in opposition to the recommendation for proposed debarment, including any additional specific information that raises a genuine dispute over material facts. In particular, you may submit information documenting measures that ECI has taken to comply with the regulations governing 8(a) BD program eligibility. You should direct any communications regarding this matter to Christopher Clarke of my office at (202) 205-7307. You should forward any written submission to him at U.S. Small Business Administration, Office of Procurement Law, 409 Third Street SW, Fifth Floor, Washington, DC 20416, with a copy by fax to (202) 481-1890. I will consider any information submitted before I render a decision.

For your information, a copy of regulations relevant to government-wide debarment, 48 CFR Part 9.406, is enclosed.

Sincerely,

FOIA Ex. 6

John W. Klein
SBA Suspension and Debarment Official

Enclosures



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

February 14, 2012

VIA CERTIFIED MAIL and FACSIMILE

Carlos Diaz
Bellamie Inc.
7235 North Loop Drive
El Paso, TX

Dear Mr. Diaz:

I am the Suspension and Debarment official at the U.S. Small Business Administration (SBA). The SBA 8(a) Business Development (8(a) BD) program office has recommended that you and your company, Bellamie Inc. (Bellamie), be proposed for debarment from future contracting with any agency of the Executive Branch of the United States Government under 9.406 of the Federal Acquisition Regulations (FAR), Title 48 of the Code of Federal Regulations (CFR). Per that recommendation, I am collecting information to determine whether initiating a proposed debarment would be in the government's best interest. This letter notifies you that I am considering the recommendation and provides you with the opportunity to submit a response for my consideration as the SBA's Suspension and Debarment Official.

The recommendation to propose debarment is based upon information gathered by the 8(a) BD program office, indicating that: (1) your wife, Maria Lillian Jacquez-Diaz, has previously used her disadvantaged status to qualify another company, ASEO, Inc. ("ASEO"), for the 8(a) BD program; and (2) you subsequently used your disadvantaged status to qualify Bellamie for participation in the 8(a) BD program in the same primary industry as ASEO. The evidence indicates that you and Bellamie may have violated an 8(a) BD program eligibility regulation at 13 CFR § 124.105(g)(1), which states, "An individual may not use his or her disadvantaged status to qualify a concern if that individual has an immediate family member who is using or has used his or her disadvantaged status to qualify another concern for the 8(a) BD program . . ." There is no indication in the file that you or Bellamie requested a waiver of this regulation, as provided in 13 CFR § 124.105(g)(1).

The evidence presented to me by the 8(a) BD program office indicates that you may have improperly applied for the 8(a) BD program due to your wife's previous use of her disadvantaged status to qualify another concern for the 8(a) BD program. 13 CFR § 124.105(g)(1). ASEO entered the 8(a) BD program on March 17, 1997, and exited the program on March 17, 2006. Bellamie entered the 8(a) BD program on March 5, 2007, and Bellamie is currently participating in the program. SBA has documentation indicating that you served as Vice President of ASEO. Additionally, the SBA Dynamic Small Business Search ("DSBS") profiles for ASEO and Bellamie indicate that both

firms are in the same line of business- janitorial services and landscaping services. The DSBS profiles also indicate that both firms are operating out of the same physical location – 7235 N Loop Dr., El Paso, Texas.

The evidence also indicates that you may not have exercised control over Bellamie at the time of your application to the 8(a) BD program as required by 13 CFR § 124.106. The 8(a) BD program regulations state “SBA regards control as including both the strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations.” 13 CFR § 124.106. There are indications that Bellamie may have an undue reliance on ASEO in its policy setting and operations.

Occupying the same address, listed above, and engaging in the same line of business suggests sharing of resources including work space, equipment and employees. This, coupled with the fact that you used to be Vice President of ASEO, suggests that the business relationship between these firms is much stronger than was indicated on your initial 8(a) BD program application.

The 8(a) BD program is intended to provide 8(a) BD certified companies with business development assistance, including opportunities to obtain federal government contracts through procurement procedures that limit competition to 8(a) BD firms and 8(a) BD sole source contracts. The restrictions listed at 13 CFR § 124.105(g)(1) and 13 CFR § 124.106 ensure that an economically and socially disadvantaged individual controls the participant and that owners benefit from the 8(a) BD program only once.

In this case, SBA seeks further information from you and Bellamie to demonstrate whether the evidence that you may have violated 13 CFR § 124.105(g)(1) and 13 CFR § 124.106 is so serious as to justify debarment.

Accordingly, SBA seeks any and all information regarding your relationship with Bellamie. Specifically, SBA requests the following supporting documentation (as applicable):

- Information and argument in opposition to the facts presented in this show cause letter;
- Specific facts that contradict the statements in this show cause letter;
- Confirm that Bellamie operates out of the address 7235 N Loop Dr., El Paso, Texas;
- Any information regarding Bellamie’s primary line of business and that of ASEO;
- Any information demonstrating Bellamie’s independence from ASEO and that there is a clear fissure between the two companies;
- Whether Bellamie has ever subcontracted work to ASEO, and if so, please identify the contract value and the percentage of work performed by both Bellamie and ASEO;

- Whether ASEO has ever subcontracted work to Bellamie, and if so, please identify the contract value and the percentage of work performed by both Bellamie and ASEO;
- Whether Bellamie and ASEO have received any contracts as joint venture partners, and if so, please identify the contract value and the percentage of work performed by both Bellamie and ASEO;
- List any equipment, facilities, or employees that Bellamie shares with ASEO;
- Please specify any familial relationship between you and Maria Lillian Jacquez-Diaz.
- Whether you ever performed work as an officer, director, manager, or employee of ASEO, and if so, to what extent; and
- Whether Lillian Jacquez-Diaze ever performed work as an officer, director, manager, or employee of Bellamie, and if so, to what extent.

If you and Bellamie are ultimately debarred, the debarment would preclude, without limitation, your participation in Federal procurement or non-procurement programs and activities.

Within 30 calendar days after receipt of this notice, you may submit in writing information and argument in opposition to the recommendation for proposed debarment, including any additional specific information that raises a genuine dispute over material facts. In particular, you may submit information documenting measures that Bellamie has taken to comply with the regulations governing 8(a) BD program eligibility. You should direct any communications regarding this matter to Alison Mueller of my office at (202) 205-6841. You should forward any written submission to her at U.S. Small Business Administration, Office of Procurement Law, 409 Third Street SW, Fifth Floor, Washington, DC 20416, with a copy by fax to (202) 292-3869. I will consider any information submitted before I render a decision.

For your information, a copy of regulations relevant to government-wide debarment, 48 CFR Subpart 9.4, is enclosed.

Sincerely,

FOIA Ex. 6

John W. Klein
SBA Suspension and Debarment Official

Enclosures



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

February 14, 2012

VIA CERTIFIED MAIL and FACSIMILE

Piyush Agrawal
APS Technologies, Inc.
630 W. 84th Street
Hialeah, Florida 33014

Dear Mr. Agrawal:

I am the Suspension and Debarment official at the U.S. Small Business Administration (SBA). The SBA 8(a) Business Development (8(a) BD) program office has recommended that you and your company, APS Technologies, Inc. (APS), be proposed for debarment from future contracting with any agency of the Executive Branch of the United States Government under 9.406 of the Federal Acquisition Regulations (FAR), Title 48 of the Code of Federal Regulations (CFR). Per that recommendation, I am collecting information to determine whether initiating a proposed debarment would be in the government's best interest. This letter notifies you that I am considering the recommendation and provides you with the opportunity to submit a response for my consideration as the SBA's Suspension and Debarment Official.

The recommendation to propose debarment is based upon information gathered by the 8(a) BD program office, indicating that: (1) your immediate family member, Akhil Agrawal, previously used his disadvantaged status to qualify another company, American Purchasing Services d/b/a American Medical Depot (AMD), for participation in the 8(a) BD program; and (2) you subsequently used your disadvantaged status to qualify APS for participation in the 8(a) BD program in the same primary industry as AMD.

The evidence indicates that you and APS may have violated an 8(a) BD program eligibility regulation at 13 CFR § 124.105(g)(1), which states, "An individual may not use his or her disadvantaged status to qualify a concern if that individual has an immediate family member who is using or has used his or her disadvantaged status to qualify another concern for the 8(a) BD program . . ." There is no indication in the file that you or APS requested a waiver of this regulation, as provided in 13 CFR § 124.105(g)(1). SBA regulations define "immediate family member" as "father, mother, husband, wife, son, daughter, brother, sister, grandfather, grandmother, grandson, granddaughter, father-in-law, and mother-in-law." 13 CFR § 124.3.

The evidence presented to me by the 8(a) BD program office indicates that you may have improperly applied for the 8(a) BD program due to your familial relationship with Akhil Agrawal, who previously use of his disadvantaged status to qualify another concern for the 8(a) BD program. 13 CFR § 124.105(g)(1). AMD entered the 8(a) BD

program on February 4, 1994, and exited the 8(a) BD program on February 4, 2003. APS entered the 8(a) BD program on July 10, 2003 and is currently participating in the program. On the initial 8(a) BD program applications of AMD and APS, both firms are listed as operating out of the same location – 630 W. 84th St, Hialeah, Florida. Additionally, the SBA Dynamic Small Business Search (DSBS) profiles for AMD and APS indicate that both are in the same line of business– the distribution of medical and surgical equipment and supplies. APS’s 8(a) BD annual review, dated January 6, 2012, indicates that APS is participating in two joint ventures with AMD, one approved May 4, 2009, and the other approved on February 23, 2011.

The evidence also indicates that you may not have exercised control over APS at the time of your application to the 8(a) BD program, as required by 13 CFR § 124.106. The 8(a) BD program regulations state “SBA regards control as including both the strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations.” 13 CFR § 124.106. Based on the shared physical location, the familial relationship between you and the owner of AMD, and the joint venture relationships, the 8(a) BD program office believes that APS may have an undue reliance on AMD in its policy setting and operations.

Occupying the same address, listed above, and engaging in the same line of business suggests sharing of resources including work space, equipment and employees. Coupled with the existence of two joint ventures, this suggests that the business relationship between APS and AMD is much stronger than was indicated on your initial application for participation in the 8(a) BD program.

The 8(a) BD program is intended to provide 8(a) BD certified companies with business development assistance, including opportunities to obtain federal government contracts through procurement procedures that limit competition to 8(a) BD firms and 8(a) BD sole source contracts. The restrictions listed at 13 CFR § 124.105(g)(1) and 13 CFR § 124.106 ensure that owners benefit only once from the 8(a) BD program and that a disadvantaged individual controls the participant firm.

In this case, SBA seeks further information from you and APS to demonstrate whether the evidence that you may have violated 13 CFR § 124.105(g)(1), 13 CFR § 124.106 and 13 CFR § 125.6(2) is so serious as to justify debarment. Accordingly, SBA seeks any and all information regarding your relationship with Mr. Akhil Agrawal and AMD. Specifically, SBA requests the following supporting documentation (as applicable):

- Any information and argument in opposition to the facts presented in this show cause letter;
- Specific facts that contradict the statements in this show cause letter;
- Any information confirming the physical address of APS at the time of APS’s application to the 8(a) BD program;

- Any information demonstrating APS's independence from AMD and that there is a clear fissure between the two companies;
- Any information regarding APS's primary line of business;
- Specify any familial relationship between you and Akhil Agrawal;
- Whether APS has ever subcontracted work to AMD, and if so, please identify the contract value and the percentage of work performed by both APS and AMD;
- Whether AMD has ever subcontracted work to APS, and if so, please identify the contract value and the percentage of work performed by both APS and AMD;
- Whether AMD and APS received any contracts as joint venture partners, and if so, please identify the contract value and the percentage of work performed by both APS and AMD; and
- Specify any staff, services, or equipment that APS shares with AMD.

If you and APS are ultimately debarred, the debarment would preclude, without limitation, your participation in Federal procurement or non-procurement programs and activities.

Within 30 calendar days after receipt of this notice, you may submit in writing information and argument in opposition to the recommendation for proposed debarment, including any additional specific information that raises a genuine dispute over material facts. In particular, you may submit information documenting measures that APS has taken to comply with the regulations governing 8(a) BD program eligibility. You should direct any communications regarding this matter to Sam Le of my office at (202) 619-1789. You should forward any written submission to him at U.S. Small Business Administration, Office of Procurement Law, 409 Third Street SW, Fifth Floor, Washington, DC 20416, with a copy by fax to (202) 292-3842. I will consider any information submitted before I render a decision.

For your information, a copy of regulations relevant to government-wide debarment, 48 CFR Subpart 9.4, is enclosed.

Sincerely,

FOIA Ex. 6

John W. Klein
SBA Suspension and Debarment Official

Enclosures



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

February 15, 2012

VIA CERTIFIED MAIL and FACSIMILE

Linda Bettisch
Desert Design and Construction, Inc.
11580 I Avenue
Hesperia, California

Dear Ms. Bettisch:

I am the Suspension and Debarment official at the U.S. Small Business Administration (SBA). The SBA 8(a) Business Development (8(a) BD) program office has recommended that you and your company, Desert Design and Construction, Inc. (DDCI), be proposed for debarment from future contracting with any agency of the Executive Branch of the United States Government under Section 9.406 of the Federal Acquisition Regulations (FAR), Title 48 of the Code of Federal Regulations (CFR). Per that recommendation, I am collecting information to determine whether initiating a proposed debarment would be in the government's best interest. This letter notifies you that I am considering the recommendation and provides you with the opportunity to submit a response for my consideration as the SBA's Suspension and Debarment Official.

The recommendation to propose debarment is based upon information gathered by the 8(a) BD program office, indicating that: (1) you may have an immediate family member that used his disadvantaged status to qualify the firm JR Cardenas Construction, Inc. (JRCC) for 8(a) BD program participation; (2) you subsequently used your disadvantaged status to qualify DDCI for 8(a) BD status; and (3) both JRCC and DDCI appear to operate in the same primary industry and out of the same physical location. The evidence indicates that you and DDCI may have violated an 8(a) BD program eligibility regulation at 13 CFR § 124.105(g)(1), which states, "An individual may not use his or her disadvantaged status to qualify a concern if that individual has an immediate family member who is using or has used his or her disadvantaged status to qualify another concern for the 8(a) BD program . . .".

The evidence presented to me by the 8(a) BD program office indicates that you may have improperly applied for the 8(a) BD program due to your possible familial relationship with Jerome Cardenas who previously use of his disadvantaged status to qualify another concern for the 8(a) BD program. 13 CFR § 124.105(g)(1). SBA regulations define "immediate family member" as "father, mother, husband, wife, son, daughter, brother, sister, grandfather, grandmother, grandson, granddaughter, father-in-law, and mother-in-law." 13 CFR § 124.3.

The 8(a) BD program is intended to provide 8(a) BD certified companies with business development assistance, including opportunities to obtain federal government contracts through procurement procedures that limit competition to 8(a) BD firms and 8(a) BD sole source contracts. The restrictions listed at 13 C.F.R. § 124.105(g)(1) ensure that owners benefit from the 8(a) BD program only once.

In this case, SBA seeks further information from you and DDCI to demonstrate whether the evidence that you may have violated 13 CFR § 124.105(g)(1) is so serious as to justify debarment. A copy of the 8(a) BD program applications for DDCI and JRCC list the same home address for you and Mr. Cardenas: 13316 Rincon Road, Apple Valley, California. SBA's 8(a) BD program records indicate that Mr. Jerome Cardenas owned and controlled JRCC, and that his status as a disadvantaged individual was used to qualify JRCC for the 8(a) BD program. JRCC participated in the 8(a) BD program from May 30, 1995, until May 30, 2004. The 8(a) BD program application for DDCI indicates that you own and control the firm, and that your status as a disadvantaged individual was used to qualify DDCI for the 8(a) BD program. DDCI was approved for participation in the 8(a) BD program on June 2, 2005, and currently participates in the program. Additionally, the 8(a) BD program applications of both DDCI and JRCC indicate that both firms operate out of the same physical address: 11580 I Avenue, Hesperia, California. The Central Contractors Registration (CCR) profile for JRCC lists four NAICS codes and the CCR profile for DDCI lists the same four NAICS codes in addition to several others, which indicates that DDCI and JRCC operate in the same industry – construction.

The information presented to me also indicates that you may not have exercised control over DDCI at the time of your application to the 8(a) BD program as required by 13 CFR § 124.106. The 8(a) BD program regulations state "SBA regards control as including both the strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations." 13 CFR § 124.106. There are indications that DDCI may have an undue reliance on JRCC in its policy setting and operations.

Occupying the same address, listed above, and engaging in the same line of business suggests sharing of resources including work space, equipment and employees. This information suggests that the business relationship between these firms is much stronger than was indicated on your initial 8(a) BD program application.

The 8(a) BD program is intended to provide 8(a) BD certified companies with business development assistance, including opportunities to obtain federal government contracts through procurement procedures that limit competition to 8(a) BD firms and 8(a) BD sole source contracts. The restrictions listed at 13 CFR § 124.105(g)(1) and 13 CFR § 124.106 ensure that an economically and socially disadvantaged individual controls the participant and that owners benefit from the 8(a) BD program only once.

In this case, SBA seeks further information from you and DDCI to demonstrate whether the evidence that you may have violated 13 CFR § 124.105(g)(1) and 13 CFR § 124.106 is so serious as to justify debarment.

Accordingly, SBA seeks any and all information regarding your relationship with JRCC and Mr. Jerome Cardenas (Mr. Cardenas). Specifically, SBA requests the following supporting documentation (as applicable):

- Any information and argument in opposition to the facts presented in this show cause letter;
- Specific facts that contradict the statements in this show cause letter;
- Identification of all of DDCI's affiliates;
- Evidence of any corrective actions you and/or DDCI have taken to ensure that DDCI will satisfy the ownership and control requirements on any future 8(a) or small business contracts;
- Any information demonstrating DDCI's independence from JRCC and that there is a clear fissure between the two companies;
- Please specify any familial relationship between you and Mr. Cardenas;
- Please confirm that DDCI operates out of 11580 I Avenue, Hesperia, California;
- Please provide your residential address and indicate whether Mr. Cardenas shares that address;
- Whether DDCI has ever subcontracted work to JRCC, and if so, please identify the contract value and the percentage of work performed by both DDCI and JRCC;
- Whether JRCC has ever subcontracted work to DDCI, and if so, please identify the contract value and the percentage of work performed by both DDCI and JRCC;
- Whether DDCI and JRCC received any contracts as joint venture partners, and if so, please identify the contract value and the percentage of work performed by both DDCI and JRCC;
- Specify any staff, services, or equipment that DDCI shares with JRCC; and
- Whether, and if so to what extent, you perform any work as an employee, officer, or manager at JRCC.

If you and DDCI are ultimately debarred, the debarment would preclude, without limitation, your participation in Federal procurement or non-procurement programs and activities.

Within 30 calendar days after receipt of this notice, you may submit in writing information and argument in opposition to the recommendation for proposed debarment, including any additional specific information that raises a genuine dispute over material facts. In particular, you may submit information documenting measures that APS has taken to comply with the regulations governing 8(a) BD program eligibility. You should

direct any communications regarding this matter to Alison Mueller of my office at (202) 205-6841. You should forward any written submission to her at U.S. Small Business Administration, Office of Procurement Law, 409 Third Street SW, Fifth Floor, Washington, DC 20416, with a copy by fax to (202) 292-3869. I will consider any information submitted before I render a decision.

For your information, a copy of regulations relevant to government-wide debarment, 48 C.F.R. Part 9.406, is enclosed.

Sincerely,

FOIA Ex. 6

John W. Klein
SBA Suspension and Debarment Official

Enclosures



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

February 15, 2012

VIA CERTIFIED MAIL and FACSIMILE

Ambica Yadav
Karna, LLC
11030 Jones Bridge Rd., Suite 202
Alpharetta, Georgia

Dear Ms. Yadav:

I am the Suspension and Debarment official at the U.S. Small Business Administration (SBA). The SBA 8(a) Business Development (8(a) BD) program office has recommended that you and your company, Karna, LLC. (Karna), be proposed for debarment from future contracting with any agency of the Executive Branch of the United States Government under Section 9.406 of the Federal Acquisition Regulations (FAR), Title 48 of the Code of Federal Regulations (CFR). Per that recommendation, I am collecting information to determine whether initiating a proposed debarment would be in the government's best interest. This letter notifies you that I am considering the recommendation and provides you with the opportunity to submit a response for my consideration as the SBA's Suspension and Debarment Official.

The recommendation to propose debarment is based upon information gathered by the 8(a) BD program office, indicating that: (1) your husband, Apurv Yadav, has previously used his disadvantaged status to qualify another company, Totalis Consulting Group, Inc. (Totalis), for the 8(a) BD program; (2) you subsequently used your disadvantaged status to qualify Karna for 8(a) BD status; and (3) both Karna and Totalis appear to operate in the same primary industry and out of the same physical location. The evidence indicates that you and Karna may have violated an 8(a) BD program eligibility regulation at 13 CFR § 124.105(g)(1), which states, "An individual may not use his or her disadvantaged status to qualify a concern if that individual has an immediate family member who is using or has used his or her disadvantaged status to qualify another concern for the 8(a) BD program . . .".

The evidence presented to me by the 8(a) BD program office indicates that you may have improperly applied for the 8(a) BD program due to your husband's previous use of his disadvantaged status to qualify another concern for the 8(a) BD program. 13 CFR § 124.105(g)(1). The evidence also indicates that you may not have exercised control over Karna at the time of your application to the 8(a) BD program as required by 13 CFR § 124.106. The 8(a) BD program regulations state "SBA regards control as including both the strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations." 13 CFR § 124.106. There are indications that Karna may have an undue reliance on Totalis in its policy setting and

operations.

Occupying the same address, listed above, and engaging in the same line of business suggests sharing of resources including work space, equipment and employees. This information suggests that the business relationship between these firms is much stronger than was indicated on your initial 8(a) BD program application.

The 8(a) BD program is intended to provide 8(a) BD certified companies with business development assistance, including opportunities to obtain federal government contracts through procurement procedures that limit competition to 8(a) BD firms and 8(a) BD sole source contracts. The restrictions listed at 13 CFR § 124.105(g)(1) and 13 CFR § 124.106 ensure that an economically and socially disadvantaged individual controls the participant and that owners benefit from the 8(a) BD program only once.

In this case, SBA seeks further information from you and Karna to demonstrate whether the evidence that you may have violated 13 CFR §§ 124.105(g)(1) is so serious as to justify debarment. A copy of the 8(a) BD program applications for Karna and Totalis list different suite numbers at the same business address for both firms: 11030 Jones Bridge Rd., Alpharetta, Georgia. SBA's 8(a) BD program records indicate that Apurv Yadav owned and controlled Totalis, and that his status as a disadvantaged individual was used to qualify Totalis for the 8(a) BD program. Totalis participated in the 8(a) BD program from May 18, 2000, until May 18, 2009. The 8(a) BD program application for Karna indicates that you own and control the firm, and that your status as a disadvantaged individual was used to qualify Karna for the 8(a) BD program. Karna was established on January 1, 2008, and was approved for participation in the 8(a) BD program on October 22, 2009. The Central Contractors Registration (CCR) profiles for Karna and Totalis show that both firms perform work in at least 8 of the same industries.

Accordingly, SBA seeks any and all information regarding your relationship with Totalis and Mr. Apurv Yadav. Specifically, SBA requests the following supporting documentation (as applicable):

- Any information and argument in opposition to the facts presented in this show cause letter;
- Specific facts that contradict the statements in this show cause letter;
- Identification of all of Karna's affiliates;
- Please specify any familial relationship between you and Apurv Yadav;
- Please confirm that Totalis and Karna both operate out of the address 11030 Jones Bridge Rd., Suite 203, Alpharetta, Georgia;
- Evidence of any corrective actions you and/or Karna have taken to ensure that Karna will satisfy the ownership and control requirements on any future 8(a) or small business contracts;
- Any information demonstrating Karna's independence from Totalis and that there is a clear fissure between the two companies;

- Whether Karna has ever subcontracted work to Totalis, and if so, please identify the contract value and the percentage of work performed by both Karna and Totalis;
- Whether Totalis has ever subcontracted work to Karna, and if so, please identify the contract value and the percentage of work performed by both Totalis and Karna;
- Whether Karna and Totalis received any contracts as joint venture partners, and if so, please identify the contract value and the percentage of work performed by both Karna and Totalis;
- Whether, and if so to what extent, you perform any work as an employee, officer, manager, or Board member at Totalis and whether Apurv Yadav performs any work as an employee, officer, manager or Board member of Karna; and
- List any shared facilities, equipment, or employees between Karna and Totalis.

If you and Karna are ultimately debarred, the debarment would preclude, without limitation, your participation in Federal procurement or non-procurement programs and activities.

Within 30 calendar days after receipt of this notice, you may submit in writing information and argument in opposition to the recommendations for proposed debarment, including any additional specific information that raises a genuine dispute over material facts. In particular, you may submit information documenting measures that APS has taken to comply with the regulations governing 8(a) BD program eligibility. You should direct any communications regarding this matter to Meagan Guerzon of my office at (202) 619-1799. You should forward any written submission to her at U.S. Small Business Administration, Office of Procurement Law, 409 Third Street SW, Fifth Floor, Washington, DC 20416, with a copy by fax to (202) 481-2909. I will consider any information submitted before I render a decision.

For your information, a copy of regulations relevant to government-wide debarment, CFR Parts 2 and 2700, are enclosed.

Sincerely,

FOIA Ex. 6

John W. Klein
SBA Suspension and Debarment Official

Enclosures



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

February 15, 2012

VIA CERTIFIED MAIL and FACSIMILE

Yvette Watts
Watts Industries, Inc.
5434 Locust St.
Philadelphia, PA 19139
Fax: (215) 796-9776

Dear Ms. Watts:

I am the Suspension and Debarment official at the U.S. Small Business Administration (SBA). The SBA 8(a) Business Development (8(a) BD) program office has recommended that you and your company, Watts Industries, Inc. (Watts), be proposed for debarment from future contracting with any agency of the Executive Branch of the United States Government under Section 9.406 of the Federal Acquisition Regulations (FAR), Title 48 of the Code of Federal Regulations (CFR). Per that recommendation, I am collecting information to determine whether initiating a proposed debarment would be in the government's best interest. This letter notifies you that I am considering the recommendation and provides you with the opportunity to submit a response for my consideration as the SBA's Suspension and Debarment Official.

The recommendation to propose debarment is based upon information gathered by the 8(a) BD program office, indicating that: (1) you used your status as a disadvantaged individual to qualify Watts for the 8(a) BD program; (2) your immediate family member, Priscilla Watts, has previously used her disadvantaged status to qualify another company, Watts Window Cleaning and Janitorial Services (WWCJS), for participation in the 8(a) BD program; (3) both Watts and WWCJS appear to operate in the same primary industry and have operated out of the same physical location; (4) you provided false information to the SBA about the existence of Watts as a separate entity from WWCJS in order to qualify Watts for participation in the 8(a) BD program; and (5) you provided false information to the SBA about your involvement in the management of WWCJS in order to qualify Watts for participation in the 8(a) BD program.

The evidence indicates that you and Watts may have violated an 8(a) BD program eligibility regulation at 13 CFR § 124.105(g)(1), which states, "An individual may not use his or her disadvantaged status to qualify a concern if that individual has an immediate family member who is using or has used his or her disadvantaged status to qualify another concern for the 8(a) BD program . . ." There is no indication in the file that you or Watts requested a waiver of this regulation, as provided in 13 CFR § 124.105(g)(1). SBA regulations define "immediate family member" as "father, mother, husband, wife, son, daughter, brother, sister, grandfather, grandmother, grandson, granddaughter, father-in-

law, and mother-in-law.” 13 CFR § 124.3.

The evidence presented to me by the 8(a) BD program office indicates that you may have violated 13 CFR § 124.105(g)(1) because you used your disadvantaged status to qualify Watts for the 8(a) BD program and your immediate family member, Priscilla Watts, used her disadvantaged status to qualify WWJCS for the 8(a) BD program. WWJCS entered the 8(a) BD program on February 20, 1992, and exited the 8(a) BD program on February 20, 2001. Watts then entered the 8(a) BD program on June 2, 2005, and is currently a program participant. On the initial 8(a) BD applications of WWJCS and Watts, the same physical address is listed for both firms - 5025 Wayne Avenue, Philadelphia, Pennsylvania. Additionally, the SBA Dynamic Small Business Search (DSBS) indicates that both Watts and WWJCS are in the same line of business - janitorial services.

The evidence also indicates that you and Watts may have also violated 13 CFR § 124.303(a) which states, “SBA may terminate the participation of a concern in the 8(a) BD program prior to the expiration of the concern’s Program term for good cause. Examples of good cause include but are not limited to the following:

- (1) Submission of false information in the concern’s 8(a) BD application... regardless of whether the correct information was given to SBA in accompanying documents or by other means...” 13 CFR § 124.303(a)(1).

Based on the results of a site visit conducted on April 10, 2009, you were notified through a Letter of Intent to Terminate, dated June 7, 2010, that it was unclear that Watts was operating independently from WWJCS due to shared space, equipment, and employees. The sign outside the Watts office address referred to WWJCS and not to Watts. In an e-mail dated July 21, 2010, you indicated that it was true that some employees were employed by both Watts and WWJCS, and you failed to provide evidence that you are no longer involved in the daily operations of WWJCS. Given this information, it appears that you misrepresented to the SBA in your initial application to the 8(a) BD program that Watts was a separate entity from WWJCS. Specifically, your answer to question 8 of the application contains your assertion that the firm “did not buy from, sell or use the services or facilities of another firm in which a principal of the applicant firm has a financial or any other interest.”

The 8(a) BD program regulations also require that a disadvantaged individual control the 8(a) BD participant firm:

- (3) “Failure by the concern for any reason... to maintain ownership, full time day-to-day management, and control by disadvantaged individuals.” 13 CFR § 124.303(a)(3).

Based on the results of the April 10, 2009 site visit, you were notified through a Letter of Intent to Terminate, dated June 7, 2010, that it was unclear whether Watts was

operating independently from WWCJS and thus you appear to have misrepresented to the SBA in your initial application to the 8(a) BD program that Watts was a separate entity from WWCJS. In addition to the evidence discussed above, there is also evidence in the form of your testimony at a state legislative hearing on behalf of WWCJS on January 18, 2006, seven months after Watts entered the 8(a) BD program.

The evidence also indicates that you may not have exercised control over Watts at the time of your application to the 8(a) BD program, as required by 13 CFR § 124.106. The 8(a) BD program regulations state "SBA regards control as including both the strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations." 13 CFR § 124.106. There are indications that Watts may have an undue reliance on WWCJS in its policy setting and operations. The evidence from the April 10, 2009, site visit discussed above suggests that the business relationship between Watts and WWCJS is much stronger than was indicated on your initial application.

The 8(a) BD program is intended to provide 8(a) BD certified companies with business development assistance, including opportunities to obtain federal government contracts through procurement procedures that limit competition to 8(a) BD firms and 8(a) BD sole source contracts. The restrictions listed at 13 CFR § 124.105(g)(1) and 13 CFR § 124.106 ensure that economically and socially disadvantaged owners control the participant firm and benefit only once from the 8(a) BD program.

In this case, SBA seeks further information from you and Watts to demonstrate whether the evidence that you violated 13 CFR § 124.105(g)(1), 13 CFR § 124.303(a)(1), and (2), and 13 CFR § 124.106 are so serious as to justify debarment.

Accordingly, SBA seeks any and all information regarding your relationship with WWCJS. Specifically, SBA requests the following supporting documentation (as applicable):

- Any information and argument in opposition to the facts presented in this show cause letter;
- Specific facts that contradict the statements in this show cause letter;
- Please specify any familial relationship between you and Priscilla Watts;
- Identify all of Watts' affiliates;
- Evidence relating to the current physical address for Watts and explain if and when Watts moved its location away from that of WWCJS;
- Please state the NAICS codes under which Watts and WWCJS operate or did operate;
- Any information demonstrating Watts' independence from WWCJS and that there is a clear fissure between the two companies;
- Evidence of any corrective actions you and/or Watts have taken to ensure that Watts will satisfy the ownership and control requirements on any future 8(a) or small business contracts;

- Whether Watts has ever subcontracted work to WWCJS, and if so, please identify the contract value and the percentage of work performed by both Watts and WWCJS;
- Whether WWCJS has ever subcontracted work to Watts, and if so, please identify the contract value and the percentage of work performed by both Watts and WWCJS;
- Whether Watts and WWCJS received any contracts as joint venture partners, and if so, please identify the contract value and the percentage of work performed by both Watts and WWCJS;
- Whether, and if so to what extent, you perform any work as an employee, officer, manager, or Board member at WWCJS and whether Vivian Watts performs any work as an employee, officer, manager or Board member of Watts; and
- Specify any staff, services, facilities, or equipment that Watts shares or shared with WWCJS at the time of its 8(a) BD application.

If you and Watts are ultimately debarred, the debarment would preclude, without limitation, your participation in Federal procurement or non-procurement programs and activities.

Within 30 calendar days after receipt of this notice, you may submit in writing information and argument in opposition to the recommendation for proposed debarment, including any additional specific information that raises a genuine dispute over material facts. In particular, you may submit information documenting measures that Watts has taken to comply with the regulations governing 8(a) BD program eligibility. You should direct any communications regarding this matter to Meagan Guerzon of my office at (202) 619-1799. You should forward any written submission to her at U.S. Small Business Administration, Office of Procurement Law, 409 Third Street SW, Fifth Floor, Washington, DC 20416, with a copy by fax to (202) 481-2909. I will consider any information submitted before I render a decision.

For your information, a copy of regulations relevant to government-wide debarment, 48 CFR Subpart 9.4, is enclosed.

Sincerely,

FOIA Ex. 6

John W. Klein
SBA Suspension and Debarment Official

Enclosures



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

February 15, 2012

VIA CERTIFIED MAIL and FACSIMILE

David Lee Strock
Strock Enterprises, LTD
2095 Old Union Road
Buffalo, NY

Dear Mr. Strock:

I am the Suspension and Debarment official at the U.S. Small Business Administration (SBA). The SBA 8(a) Business Development (8(a) BD) program office has recommended that you and your company, Strock Enterprises, LTD (SE), be proposed for debarment from future contracting with any agency of the Executive Branch of the United States Government under 9.406 of the Federal Acquisition Regulations (FAR), Title 48 of the Code of Federal Regulations (CFR). Per that recommendation, I am collecting information to determine whether initiating a proposed debarment would be in the government's best interest. This letter notifies you that I am considering the recommendation and provides you with the opportunity to submit a response for my consideration as the SBA's Suspension and Debarment Official.

The recommendation to propose debarment is based upon information gathered by the 8(a) BD program office, indicating that: (1) you may be an immediate family member of Lee Strock, who has previously used his disadvantaged status to qualify Strock Contracting, Inc. (SCI), for the 8(a) BD program; (2) you subsequently used your disadvantaged status to qualify SE for participation in the 8(a) BD program; and (3) both SE and SCI appear to operate in the same primary industry and out of the same physical location. The evidence indicates that you and SE may have violated an 8(a) BD program eligibility regulation at 13 CFR § 124.105(g)(1), which states, "An individual may not use his or her disadvantaged status to qualify a concern if that individual has an immediate family member who is using or has used his or her disadvantaged status to qualify another concern for the 8(a) BD program . . ." There is no evidence in the file to indicate that you or SE requested a waiver of this regulation, as provided in 13 CFR § 124.105(g)(1). SBA regulations define an immediate family member as, "father, mother, husband, wife, son, daughter, brother, sister, grandfather, grandmother, grandson, granddaughter, father-in-law, and mother-in-law." 13 CFR § 124.3

The evidence presented to me by the 8(a) BD program office indicates that you may have improperly applied for the 8(a) BD program due to your relationship as an immediate family member of Lee Strock, who previously used his disadvantaged status to qualify another concern for the 8(a) BD program. 13 CFR § 124.105(g)(1). SCI entered the 8(a) BD program on February 16, 1995, and exited the 8(a) BD program on February 16, 2004. SE then entered the 8(a) BD program on March 14, 2006 and is currently participating in the program. On the initial

8(a) BD applications of SE and SCI, both firms are listed as operating out of the same location – 2095 Old Union Rd., Cheektowaga, New York. Additionally, the SBA Dynamic Small Business Search (“DSBS”) profiles for SCI and SE indicate that both firms are in the same or similar lines of business– construction contracting.

The evidence also indicates that you may not have exercised control over SE at the time of your application to the 8(a) BD program as required by 13 CFR § 124.106. The 8(a) BD program regulations state “SBA regards control as including both the strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations.” 13 CFR § 124.106. There are indications that SE may have an undue reliance on SCI in its policy setting and operations. A November 6, 2009, HUBZone protest determination also found that:

- Three related companies: SE, SCI, and Veterans Enterprises Co., Inc. (VECO) share office space at 2095 Old Union Road, Cheektowaga, NY.;
- Lee A. Strock is the owner of the 2095 Old Union Road, Cheektowaga, New York, location;
- SCI, SE, and VECO are all in the same line of business: construction;
- All three companies regularly act as both prime contractors employing the other firms as subcontractors;
- All three companies regularly act as subcontractors for the other firms;
- All three companies own some of their own equipment, but routinely utilize the equipment of the other companies;
- SCI, SE, and VECO share employees; and
- Employees previously employed by SCI are now employed by SE.

Occupying the same address, engaging in the same line of business, and sharing equipment and employees suggests that the business relationship between SE and SCI is much stronger than was indicated on your initial 8(a) BD application.

The 8(a) BD program is intended to provide 8(a) BD certified companies with business development assistance, including opportunities to obtain federal government contracts through procurement procedures that limit competition to 8(a) BD firms and 8(a) BD sole source contracts. The restrictions listed at 13 CFR § 124.105(g)(1) and 13 CFR § 124.106 ensure that owners benefit from the 8(a) BD program only once.

In this case, SBA seeks further information from you and SE to demonstrate whether the evidence that you violated 13 CFR § 124.105(g)(1) and 13 CFR § 124.106 is so serious as to justify debarment. Accordingly, SBA seeks any and all information regarding your relationship with SCI. Specifically, SBA requests the following supporting documentation (as applicable):

- Any information and argument in opposition to the facts presented in this show cause letter;
- Specific facts that contradict the statements in this show cause letter;
- Identify all of SE’s affiliates;
- Specify any familial relationship between you and Lee Strock;

- Specify the physical address where SE and SCI operate;
- Evidence of any corrective actions you and/or SE have taken to ensure that SE will satisfy the ownership and control requirements on any future 8(a) or small business contracts;
- Any information demonstrating SE's independence from SCI and that there is a clear fissure between the two companies;
- Provide copies of all joint venture or mentor-protégé agreements that SE has entered with SCI;
- For each contract for which SCI acted as a subcontractor to SE, identify the contract value and the percentage of work performed by both SE and SCI;
- For each contract for which SE and SCI acted as joint venture partners, identify the contract value and the percentage of work performed by both SE and SCI;
- Whether, and if so to what extent, you perform any work as an employee, officer, manager, or Board member at SCI and whether Lee Strock performs any work as an employee, officer, manager or Board member of SE;
- List any shared facilities, equipment, or employees between SE and SCI; and
- Identify the NAICS codes under which SE and SCI operate or did operate.

If you and SE are ultimately debarred, the debarment would preclude, without limitation, your participation in Federal procurement or non-procurement programs and activities.

Within 30 calendar days after receipt of this notice, you may submit in writing information and argument in opposition to the recommendations for proposed debarment, including any additional specific information that raises a genuine dispute over material facts. In particular, you may submit information documenting measures that SE has taken to comply with the regulations governing 8(a) BD program eligibility. You should direct any communications regarding this matter to Meagan Guerzon of my office at (202) 619-1799. You should forward any written submission to her at U.S. Small Business Administration, Office of Procurement Law, 409 Third Street SW, Fifth Floor, Washington, DC 20416, with a copy by fax to (202) 481-2909. I will consider any information submitted before I render a decision.

For your information, a copy of regulations relevant to government-wide debarment, 48 CFR Subpart 9.4, is enclosed.

Sincerely,

FOIA Ex. 6

John W. Klein
SBA Suspension and Debarment Official

Enclosures



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

February 15, 2012

VIA CERTIFIED MAIL and FACSIMILE

Mr. Reginald Allen
RCA Contracting, Inc.
301 Drayton St.
Montezuma, GA 31063

Dear Mr. Allen:

I am the Suspension and Debarment official at the U.S. Small Business Administration (SBA). The SBA 8(a) Business Development (8(a) BD) program office has recommended that you and your company, RCA Contracting, Inc. (RCA), be proposed for debarment from future contracting with any agency of the Executive Branch of the United States Government under 9.406 of the Federal Acquisition Regulations (FAR), Title 48 of the Code of Federal Regulations (CFR). Per that recommendation, I am collecting information to determine whether initiating a proposed debarment would be in the government's best interest. This letter notifies you that I am considering the recommendation and provides you with the opportunity to submit a response for my consideration as the SBA's Suspension and Debarment Official.

The recommendation to propose debarment is based upon information gathered by the 8(a) BD program office, indicating that: (1) you may be related to Charles Allen, who has previously used his disadvantaged status to qualify another company, Allen's Contracting Company, Inc. (ACC), for participation in the 8(a) BD program; (2) you subsequently used your disadvantaged status to qualify RCA for participation in the 8(a) BD program; and (3) both RCA and ACC appear to operate in the same primary industry and out of the same physical location. The evidence indicates that you and RCA may have violated an 8(a) BD program eligibility regulation at 13 CFR § 124.105(g)(1), which states, "An individual may not use his or her disadvantaged status to qualify a concern if that individual has an immediate family member who is using or has used his or her disadvantaged status to qualify another concern for the 8(a) BD program . . ." There is no indication in the file that you or RCA requested a waiver of this regulation, as provided in 13 CFR § 124.105(g)(1). Immediate family member is defined as "father, mother, husband, wife, son, daughter, brother, sister, grandfather, grandmother, grandson, granddaughter, father-in-law, and mother-in-law." 13 CFR § 124.3

The evidence presented to me by the 8(a) BD program office indicates that you may have improperly applied for the 8(a) BD program due to Charles Allen's previous use of his disadvantaged status to qualify another concern for the 8(a) BD program. 13 CFR § 124.105(g)(1). ACC entered the 8(a) BD program on February 14, 1992, and exited the 8(a) BD program on February 14, 2001; RCA then entered the 8(a) BD program on May 29, 2002, and graduated early from the program on May 29, 2011. On the initial 8(a) BD applications of ACC

and RCA both firms are listed as operating out of the same location – 301 Dayton St., Montezuma, Georgia. Additionally, the SBA Dynamic Small Business Search (DSBS) profiles for ACC and RCA indicate that the firms continue to operate from that location. The DSBS profiles also show ACC and RCA are in the same line of business– commercial and institutional building construction.

The evidence also indicates that you may not have exercised control over RCA at the time of your application to the 8(a) BD program as required by 13 CFR § 124.106. The 8(a) BD program regulations state “SBA regards control as including both the strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations.” 13 CFR § 124.106. There are indications that RCA may have an undue reliance on ACC in its policy setting and operations.

Occupying the same address, listed above, and engaging in the same line of business suggests sharing of resources including work space, equipment and employees. SBA records also indicate that Charles Allen has participated in the operations of RCA in the past as Vice President and, in that role, signed contracts for RCA. This indicates that the business relationship between RCA and ACC is much stronger than was indicated on your initial application for participation in the 8(a) BD program.

The 8(a) BD program is intended to provide 8(a) BD certified companies with business development assistance, including opportunities to obtain federal government contracts through procurement procedures that limit competition to 8(a) BD firms and 8(a) BD sole source contracts. The restrictions listed at 13 CFR § 124.105(g)(1) and 13 CFR § 124.106 ensure that the participant is controlled by an economically and socially disadvantaged individual who benefits from the 8(a) BD program only once.

In this case, SBA seeks further information from you and RCA to demonstrate whether the evidence that you may have violated 13 CFR § 124.105(g)(1) and 13 CFR § 124.106 is so serious as to justify debarment.

Accordingly, SBA seeks any and all information regarding your relationship with Charles Allen and ACC. Specifically, SBA requests the following supporting documentation (as applicable):

- Any information and argument in opposition to the facts presented in this show cause letter;
- Specific facts that contradict the statements in this show cause letter;
- Identify all of RCA’s affiliates;
- Specify any familial relationship between you and Charles Allen;
- Specify the physical address where RCA and ACC operate;
- Evidence of any corrective actions you and/or RCA have taken to ensure that RCA will satisfy the ownership and control requirements on any future 8(a) or small business contracts;
- Any information demonstrating RCA’s independence from ACC and that there is a clear fissure between the two companies;

- Provide copies of all joint venture or mentor-protégé agreements that RCA has entered with ACC;
- Whether RCA has ever subcontracted work to ACC, and if so, please identify the contract value and the percentage of work performed by both RCA and ACC;
- Whether ACC has ever subcontracted work to RCA, and if so, please identify the contract value and the percentage of work performed by both ACC and RCA;
- Whether RCA and ACC received any contracts as joint venture partners, and if so, please identify the contract value and the percentage of work performed by both RCA and ACC;
- Whether, and if so to what extent, you have performed or continue to perform any work as an employee, officer, manager, or Board member at ACC and whether Charles Allen has performed or continues to perform any work as an employee, officer, manager or Board member of RCA;
- List any shared facilities, equipment, or employees between RCA and ACC; and
- Identify the NAICS codes under which RCA and ACC operate or did operate and which is the primary industry of each firm.

If you and RCA are ultimately debarred, the debarment would preclude, without limitation, your participation in Federal procurement or non-procurement programs and activities.

Within 30 calendar days after receipt of this notice, you may submit in writing information and argument in opposition to the recommendation for proposed debarment, including any additional specific information that raises a genuine dispute over material facts. In particular, you may submit information documenting measures that RCA has taken to comply with the regulations governing 8(a) BD program eligibility. You should direct any communications regarding this matter to Sam Le of my office at (202) 619-1789. You should forward any written submission to him at U.S. Small Business Administration, Office of Procurement Law, 409 Third Street SW, Fifth Floor, Washington, DC 20416, with a copy by fax to (202) 292-3842. I will consider any information submitted before I render a decision.

For your information, a copy of regulations relevant to government-wide debarment, 48 CFR Subpart 9.4, is enclosed.

Sincerely,

FOIA Ex. 6

John W. Klein
SBA Suspension and Debarment Official

Enclosures



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

February 15, 2012

VIA CERTIFIED MAIL and FACSIMILE

Yolanda Diaz
Mirador Enterprises, Inc.
8201 Lockheed Dr. Ste. 110
El Paso, TX 79925

Dear Ms. Diaz:

I am the Suspension and Debarment official at the U.S. Small Business Administration (SBA). The SBA 8(a) Business Development (8(a) BD) program office has recommended that you and your company, Mirador Enterprises, Inc. (Mirador), be proposed for debarment from future contracting with any agency of the Executive Branch of the United States Government under 9.406 of the Federal Acquisition Regulations (FAR), Title 48 of the Code of Federal Regulations (CFR). Per that recommendation, I am collecting information to determine whether initiating a proposed debarment would be in the government's best interest. This letter notifies you that I am considering the recommendation and provides you with the opportunity to submit a response for my consideration as the SBA's Suspension and Debarment Official.

The recommendation to propose debarment is based upon information gathered by the 8(a) BD program office, indicating that: (1) Jose Diaz may be your immediate family member and has previously used his disadvantaged status to qualify another company, Miratek Corporation (Miratek), for participation in the 8(a) BD program; (2) you subsequently used your disadvantaged status to qualify Mirador for participation in the 8(a) BD program; and (3) both Mirador and Miratek appear to operate in the same primary industry and out of the same physical location. The evidence indicates that you and Mirador may have violated an 8(a) BD program eligibility regulation at 13 CFR § 124.105(g)(1), which states, "An individual may not use his or her disadvantaged status to qualify a concern if that individual has an immediate family member who is using or has used his or her disadvantaged status to qualify another concern for the 8(a) BD program . . ." There is no indication in the file that you or Mirador requested a waiver of this regulation, as provided in 13 CFR § 124.105(g)(1).

The evidence presented to me by the 8(a) BD program office indicates that you may have improperly applied for the 8(a) BD program due to your relative's previous use of his disadvantaged status to qualify another concern for the 8(a) BD program. 13 CFR § 124.105(g)(1). Miratek entered the 8(a) BD program on April 26, 1995, and exited on April 26, 2004. Mirador then entered the 8(a) BD program on August 21, 2006, and is currently participating in the program. On the initial 8(a) BD applications of Miratek and Mirador both firms are listed as operating out of different suites in the same building – 8201 Lockheed Dr., El Paso, Texas. Jose Diaz shares the same last name as you and SBA has received information to

indicate that you and Jose Diaz may own real estate together at 9720 Algiers Ct., El Paso, Texas. As a result, Jose Diaz may be your immediate family member. The 8(a) BD program regulations define an immediate family member as, "father, mother, husband, wife, son, daughter, brother, sister, grandfather, grandmother, grandson, granddaughter, father-in-law, and mother-in-law." 13 CFR § 124.3.

The evidence also indicates that you may not have exercised control over Mirador at the time of your application to the 8(a) BD program as required by 13 CFR § 124.106. The 8(a) BD program regulations state "SBA regards control as including both the strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations." 13 CFR § 124.106. There are indications that Mirador may have an undue reliance on Miratek in its policy setting and operations.

Occupying the same address, listed above, and engaging in the same line of business suggests sharing of resources including work space, equipment and employees. Furthermore, SBA has received information that Jose Diaz serves as Manager of Mirador. Mirador and Miratek have also previously entered a joint venture agreement. This suggests that the business relationship between Mirador and Miratek is much stronger than was indicated on your initial application.

The 8(a) BD program is intended to provide 8(a) BD certified companies with business development assistance, including opportunities to obtain federal government contracts through procurement procedures that limit competition to 8(a) BD firms and 8(a) BD sole source contracts. The restrictions listed at 13 CFR § 124.105(g)(1) and 13 CFR § 124.106 ensure that owners benefit from the 8(a) BD program only once.

Accordingly, SBA seeks any and all information regarding your relationship with Mr. Jose Diaz and Miratek. Specifically, SBA requests the following supporting documentation (as applicable):

- Any information and argument in opposition to the facts presented in this show cause letter;
- Specific facts that contradict the statements in this show cause letter;
- Any information demonstrating that Mirador operates independently from Miratek and that there is a clear fissure between the two companies;
- Identify the NAICS codes under which Mirador and Miratek operate or did operate and which is the primary industry of each firm;
- Identify all of Mirador's affiliates;
- Specify any familial relationship between you and Jose Diaz;
- Specify the physical address where Mirador and Miratek operate;
- List all of Mirador's officers and managers;
- Whether, and if so to what extent, you have performed or continue to perform any work as an employee, officer, manager, or Board member at Miratek and whether Jose Diaz has performed or continues to perform any work as an employee, officer, manager or Board member of Mirador;
- Provide copies of all joint venture or mentor-protégé agreements that Mirador has entered

with Miratek;

- For each contract for which Mirador and Miratek SCI acted as joint venture partners, identify the contract value and the percentage of work performed by both Mirador and Miratek;
- Whether Mirador has ever subcontracted work to Miratek, and if so, please identify the contract value and the percentage of work performed by both Miratek and Mirador;
- Whether Miratek has ever subcontracted work to Mirador, and if so, please identify the contract value and the percentage of work performed by both Mirador and Miratek;
- Specify any facilities, equipment, and employees that are shared between Miratek and Mirador; and
- Evidence of any corrective actions you and/or Mirador have taken to ensure that Mirador will satisfy the ownership and control requirements on any future 8(a) or small business contracts.

If you and Mirador are ultimately debarred, the debarment would preclude, without limitation, your participation in Federal procurement or non-procurement programs and activities.

Within 30 calendar days after receipt of this notice, you may submit in writing information and argument in opposition to the recommendation for proposed debarment, including any additional specific information that raises a genuine dispute over material facts. In particular, you may submit information documenting measures that Mirador has taken to comply with the regulations governing 8(a) BD program eligibility. You should direct any communications regarding this matter to Laura Foster of my office at (202) 205-6473. You should forward any written submission to her at U.S. Small Business Administration, Office of Procurement Law, 409 Third Street SW, Fifth Floor, Washington, DC 20416, with a copy by fax to (202) 481-2619. I will consider any information submitted before I render a decision.

For your information, a copy of regulations relevant to government-wide debarment, 48 CFR Subpart 9.4, is enclosed.

Sincerely,

FOIA Ex. 6

John W. Klein
SBA Suspension and Debarment Official

Enclosures



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

February 16, 2012

VIA CERTIFIED MAIL and FACSIMILE

Mr. George Sanchez
Design Construction
74-821 Merle Dr.
Palm Desert, California 92260

Dear Mr. Sanchez:

I am the Suspension and Debarment official at the U.S. Small Business Administration (SBA). The SBA 8(a) Business Development (8(a) BD) program office has recommended that you and your company, Design Construction (DC), be proposed for debarment from future contracting with any agency of the Executive Branch of the United States Government under Section 9.406 of the Federal Acquisition Regulations (FAR), Title 48 of the Code of Federal Regulations (CFR). Per that recommendation, I am collecting information to determine whether initiating a proposed debarment would be in the government's best interest. This letter notifies you that I am considering the recommendation and provides you with the opportunity to submit a response for my consideration as the SBA's Suspension and Debarment Official.

The recommendation to propose debarment is based upon information gathered by the 8(a) BD program office, indicating that: (1) Ignacio Sanchez, Sr. is your immediate family member; (2) Ignacio Sanchez, Sr. previously used his disadvantaged status to qualify another company, Ignacio Sanchez, Inc. (ISI), for participation in the 8(a) BD program; (3) you subsequently used your disadvantaged status to qualify DC for participation in the 8(a) BD program; (4) you and Ignacio Sanchez, Sr. were both managing partners of ISI and each of you now hold an ownership interest in DC; (5) ISI entered the 8(a) BD program on March 28, 1991, and exited on March 28, 2000; (6) DC participated in the 8(a) BD program from November 22, 1999 to November 22, 2008; (7) ISI operated in the same line of business as DC; (8) ISI's and DC's 8(a) BD Program applications list the same physical address: 74-821 Merle Dr. Palm Desert, California; and (9) ISI's and DC's 8(a) BD Program applications also identify this address as the personal residence of Ignacio Sanchez, Sr. and yourself. This evidence indicates that you and DC may have violated an 8(a) BD program eligibility regulation at 13 CFR § 124.105(g)(1), which provides:

An individual may not use his or her disadvantaged status to qualify a concern if that individual has an immediate family member who is using or has used his or her disadvantaged status to qualify another concern for the 8(a) BD program. The AA/BD may waive this prohibition if the two concerns have no connections, either in the form of ownership, control or contractual relationships, and provided the individual seeking to qualify the second concern has management and

technical experience in the industry. Where the concern seeking a waiver is in the same or similar line of business as the current or former 8(a) concern, there is a presumption against granting the waiver. The applicant must provide clear and compelling evidence that no connection exists between the two firms.

Accordingly, you may have improperly applied for the 8(a) BD program due to Ignacio Sanchez, Sr.'s previous use of his disadvantaged status to qualify another concern for the 8(a) BD program. 13 CFR § 121.105(g)(1).

The 8(a) BD program is intended to provide 8(a) BD certified companies with business development assistance, including opportunities to obtain federal government contracts through procurement procedures that limit competition to 8(a) BD firms and 8(a) BD sole source contracts. The restrictions listed at 13 C.F.R. § 124.105(g)(1) ensure that owners benefit from the 8(a) BD program only once.

In this case, SBA seeks further information from you and DC to demonstrate whether the evidence that you have violated 13 CFR § 124.105(g)(1) is so serious as to justify debarment.

Consequently, SBA seeks any and all information regarding your relationship with ISI. Specifically, SBA requests the following supporting documentation (as applicable):

- Any information and argument in opposition to the facts presented in this show cause letter;
- Specific facts that contradict the statements in this show cause letter;
- Any information demonstrating DC's independence from ISI and that there is a clear fissure between the two companies;
- Identify all of DC's affiliates;
- Specify any familial relationship between you, Ignacio Sanchez, Sr. and/or George Sanchez;
- Specify the physical address where DC and ISI operate;
- Confirm that you and Ignacio Sanchez, Sr. reside at the same address: 74-821 Merle Dr. Palm Desert, California;
- Evidence of any corrective actions you and/or DC have taken to ensure that DC will satisfy the ownership and control requirements on any future 8(a) or small business contracts;
- Provide copies of all joint venture or mentor-protégé agreements that DC has entered with ISI;
- For each contract for which DC and ISI acted as joint venture partners, identify the contract value and the percentage of work performed by both DC and ISI;
- Whether DC has ever subcontracted work to ISI, and if so, please identify the contract value and the percentage of work performed by both DC and ISI;
- Whether ISI has ever subcontracted work to DC, and if so, please identify the contract value and the percentage of work performed by both ISI and DC;
- Whether, and if so to what extent, you have performed or continue to perform any work as an employee, officer, manager, or Board member at ISI and whether Ignacio Sanchez, Sr. has performed or continues to perform any work as an employee, officer, manager or

- Board member of DC;
- List any shared facilities, equipment, or employees between DC and ISI; and
 - Identify the NAICS codes under which DC and ISI operate or did operate and which is the primary industry of each firm.

If you and DC are ultimately debarred, the debarment would preclude, without limitation, your participation in Federal procurement or non-procurement programs and activities.

Within 30 calendar days after receipt of this notice, you may submit in writing information and argument in opposition to the recommendations for proposed debarment, including any additional specific information that raises a genuine dispute over material facts. In particular, you may submit information documenting measures that DC has taken to comply with the regulations governing 8(a) BD program eligibility. You should direct any communications regarding this matter to Laura Foster of my office at (202) 205-6473. You should forward any written submission to her at U.S. Small Business Administration, Office of Procurement Law, 409 Third Street SW, Fifth Floor, Washington, DC 20416, with a copy by fax to (202) 481-2909. I will consider any information submitted before I render a decision.

For your information, a copy of regulations relevant to government-wide debarment, 48 CFR Part 9.406, is enclosed.

Sincerely,

FOIA Ex. 6

John W. Klein
SBA Suspension and Debarment Official

Enclosures



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

February 16, 2012

VIA CERTIFIED MAIL and FACSIMILE

Ignacio Sanchez, Jr.
Design Construction
74-821 Merle Dr.
Palm Desert, California 92260

Dear Mr. Sanchez:

I am the Suspension and Debarment official at the U.S. Small Business Administration (SBA). The SBA 8(a) Business Development (8(a) BD) program office has recommended that you and your company, Design Construction (DC), be proposed for debarment from future contracting with any agency of the Executive Branch of the United States Government under Section 9.406 of the Federal Acquisition Regulations (FAR), Title 48 of the Code of Federal Regulations (CFR). Per that recommendation, I am collecting information to determine whether initiating a proposed debarment would be in the government's best interest. This letter notifies you that I am considering the recommendation and provides you with the opportunity to submit a response for my consideration as the SBA's Suspension and Debarment Official.

The recommendation to propose debarment is based upon information gathered by the 8(a) BD program office, indicating that: (1) Ignacio Sanchez, Sr. is your immediate family member; (2) Ignacio Sanchez, Sr. previously used his disadvantaged status to qualify another company, Ignacio Sanchez, Inc. (ISI), for participation in the 8(a) BD program; (3) you subsequently used your disadvantaged status to qualify DC for participation in the 8(a) BD program; (4) you and Ignacio Sanchez, Sr. both hold an ownership interest in DC; (5) ISI entered the 8(a) BD program on March 28, 1991, and exited on March 28, 2000; (6) DC participated in the 8(a) BD program from November 22, 1999 to November 22, 2008; (7) ISI operated in the same line of business as DC; and (8) ISI's and DC's 8(a) BD Program applications list the same physical address: 74-821 Merle Dr. Palm Desert, California. This evidence indicates that you and DC may have violated an 8(a) BD program eligibility regulation at 13 CFR § 124.105(g)(1), which provides:

An individual may not use his or her disadvantaged status to qualify a concern if that individual has an immediate family member who is using or has used his or her disadvantaged status to qualify another concern for the 8(a) BD program. The AA/BD may waive this prohibition if the two concerns have no connections, either in the form of ownership, control or contractual relationships, and provided the individual seeking to qualify the second concern has management and technical experience in the industry. Where the concern seeking a waiver is in the same or similar line of business as the current or former 8(a) concern, there is a

presumption against granting the waiver. The applicant must provide clear and compelling evidence that no connection exists between the two firms.

Accordingly, you may have improperly applied for the 8(a) BD program due to Ignacio Sanchez, Sr.'s previous use of his disadvantaged status to qualify another concern for the 8(a) BD program. 13 CFR § 121.105(g)(1).

The 8(a) BD program is intended to provide 8(a) BD certified companies with business development assistance, including opportunities to obtain federal government contracts through procurement procedures that limit competition to 8(a) BD firms and 8(a) BD sole source contracts. The restrictions listed at 13 C.F.R. § 124.105(g)(1) ensure that owners benefit from the 8(a) BD program only once.

In this case, SBA seeks further information from you and DC to demonstrate whether the evidence that you have violated 13 CFR § 124.105(g)(1) is so serious as to justify debarment.

Consequently, SBA seeks any and all information regarding your relationship with ISI. Specifically, SBA requests the following supporting documentation (as applicable):

- Any information and argument in opposition to the facts presented in this show cause letter;
- Specific facts that contradict the statements in this show cause letter;
- Any information demonstrating DC's independence from ISI and that there is a clear fissure between the two companies;
- Identify all of DC's affiliates;
- Specify any familial relationship between you, Ignacio Sanchez, Sr. and/or George Sanchez;
- Specify the physical address where DC and ISI operate;
- Evidence of any corrective actions you and/or DC have taken to ensure that DC will satisfy the ownership and control requirements on any future 8(a) or small business contracts;
- Provide copies of all joint venture or mentor-protégé agreements that DC has entered with ISI;
- For each contract for which DC and ISI acted as joint venture partners, identify the contract value and the percentage of work performed by both DC and ISI;
- Whether DC has ever subcontracted work to ISI, and if so, please identify the contract value and the percentage of work performed by both DC and ISI;
- Whether ISI has ever subcontracted work to DC, and if so, please identify the contract value and the percentage of work performed by both ISI and DC;
- Whether, and if so to what extent, you have performed or continue to perform any work as an employee, officer, manager, or Board member at ISI and whether Ignacio Sanchez, Sr. has performed or continues to perform any work as an employee, officer, manager or Board member of DC;
- List any shared facilities, equipment, or employees between DC and ISI; and
- Identify the NAICS codes under which DC and ISI operate or did operate and which is the primary industry of each firm.

If you and DC are ultimately debarred, the debarment would preclude, without limitation, your participation in Federal procurement or non-procurement programs and activities.

Within 30 calendar days after receipt of this notice, you may submit in writing information and argument in opposition to the recommendations for proposed debarment, including any additional specific information that raises a genuine dispute over material facts. In particular, you may submit information documenting measures that DC has taken to comply with the regulations governing 8(a) BD program eligibility. You should direct any communications regarding this matter to Laura Foster of my office at (202) 205-6473. You should forward any written submission to her at U.S. Small Business Administration, Office of Procurement Law, 409 Third Street SW, Fifth Floor, Washington, DC 20416, with a copy by fax to (202) 481-2909. I will consider any information submitted before I render a decision.

For your information, a copy of regulations relevant to government-wide debarment, 48 CFR Part 9.406, is enclosed.

Sincerely,

FOIA Ex. 6

/John W. Klein
SBA Suspension and Debarment Official

Enclosures