

# Small businesses have a Champion on First Coast

Small business owner works to ensure big business doesn't win their contracts

By [Kevin Turner](#)  
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In 2004, the FitNet Purchasing Alliance (FitNet), a small business run by Raul Espinosa of St. Augustine, bid on an Air Force contract for exercise equipment. The contract work was earmarked for a small business and required the winning company to have 500 employees or fewer.

The Air Force gave the contract to The Corps Group Inc., but Espinosa who had lost on the bidding protested, saying that the company wasn't what it appeared to be.

In 2005, with information from Espinosa in hand, the Office of Hearings and Appeals (OHA) found that an employee of fitness equipment manufacturer Precor Inc. was listed as the point of contact and that the company's sole shareholder was his wife. Since 1999, Precor has been a subsidiary of Illinois Tool Works, a company that employs a total of about 65,000, according to Yahoo Finance.

**Raul Espinosa founded the Fairness in Procurement Alliance (FPA) to support the rights of small and disadvantaged businesses**

In spite of the protest victory, there was no penalty against Precor, and the company kept the contract, according to an SBA document. This example of contracting abuse, according to Espinosa, continues to happen and it is hurting our economy.

Federal contracts reserved by law to be granted to small businesses have instead been going to much larger ones, according to data from the U.S. General Services Administration's Federal Procurement Data System and commercial government data provider Eagle Eye Publishers Inc. In 2005, Espinosa, at the urging of other advocates, founded the Fairness in Procurement Alliance (FPA), to represent the procurement interest of small and disadvantaged businesses and make sure that government contracts "set aside," or earmarked, for small business go to them.

The government defines a small business as having 500 or fewer employees if the company manufactures a product, or makes less than a certain income levels. A company that is a subsidiary of a larger one isn't eligible to bid if its parent company's total employee or revenues total - including subsidiaries - exceeds the small business definition.

That wasn't the only time Espinosa has used "size protests" to cry foul on companies that win a small business "set aside" contract, but are too big to be eligible for them, he said. "I've lost millions in contracts to companies that have misrepresented their size or have established fronts to go after set-aside contracts," he said.

## Help for the little guy

In 2005, he founded the Fairness in Procurement Alliance (FPA), to protect the rights of small and disadvantaged businesses and stop large companies from receiving "set-asides" designated for them.

All federal agencies, added together as a whole, are required by law to achieve the goal level of sending 23 percent of their procurement contracts to small businesses. According to the SBA Report Card, 21.5 percent of federal contracts, totaling \$93.5 billion, went to small business in fiscal year 2008 and 22 percent, totaling \$83.2 billion, went to small businesses in 2007. FPA, however, has questioned the accuracy of the data Agencies are reporting to SBA.

Data from GSA and Eagle Eye have shown, that in 2008 as much as \$41.3 billion in small business contracts had actually gone to large businesses.

Although federal agencies are reporting they're in compliance with the contract regulations, some SBA officials, including former Inspector General Harold Damelin, and watchdog groups are saying that isn't the case. FPA is trying to convince Congress to demand the use of the Data Quality Act provisions to verify the accuracy of the data reported to the SBA.

According to data from Timothy Yeane, vice president of Eagle Eye Publishers Inc., a commercial provider of federal procurement information, many companies that received small business set-aside contracts in fiscal 2008 weren't small at all. Those contracts included \$178.4 million to General Dynamics Corp.; \$168.9 million to Lockheed Martin Corp.; \$125.3 million to L-3 Communications Holdings; \$71.2 million to Boeing Co.; and \$61.7 million to the U.S. Department of Justice.

Wilfredo J. Gonzalez, district director of the SBA's North Florida District Office, said there are legitimate reasons why a federal contract going to a large business would be credited as going to a small one. Governmental contracting offices may have made errors, a small business may become large after a sale or merger - or the firm may be misrepresenting itself, Gonzalez said.

When a company is caught representing itself incorrectly to win a contract, that can invalidate the contract, Gonzalez said. The SBA Inspector General has confirmed that Agencies have been misrepresenting to SBA their record of contracting with small businesses. Companies seeking federal contracts also must be registered in the central contractor registration database at <https://www.bpn.gov/ccr/> to be eligible to bid.

"Every small business should register in the central contracting registration database," Gonzalez said. "We are constantly encouraging small businesses to do that. When we talk to a small business, we ask, 'are you registered?'"

Espinosa and Dr. Henry Thomas, an associated professor of political science and Director of the Florida Center for International Policy at the University of North Florida, formed the FPA "think tank" at UNF in 2007, dedicated to research and promotion of entrepreneurial practices which would safeguard the procurement interests of small businesses and business owned by minorities, veterans and women. The think-tank has operated without formal funding, but has accomplished a great deal. Our efforts are now getting the attention and support of elected officials and advocate groups, Thomas said.

"UNF convinced the Florida University system to seek funding for The Umbrella Initiative and its projects," he said. A representative from U.S. Rep. Corrine Brown's office said Brown has requested that the Financial Services Appropriations subcommittee allocate \$350,000 in the 2010 fiscal year to support the FPA-UNF Umbrella Initiative. There are other efforts on the Senate side to allocate funding for the Initiative. Foundation funding is also being sought.

The Umbrella Initiative intends to bring together, under an umbrella, all existing procurement services for federal, state and local government contracts. It then surrounds these services with an access to capital unit for the resulting contracts and thus eliminate credit issues. Existing networks of service providers such as the Small Business Development Centers will then be able to utilize a combined set of products and services to not only deliver, but track the effectiveness of their procurement services.

The think tank uses entrepreneurial out-of-the-box solutions to help small businesses get contracts not only at the federal level, but from state and municipalities as well, Thomas said. One area in which we are focusing is how to bring these services to economically depressed areas, Thomas added.

"Disadvantaged businesses are finding it harder and harder to do business," he said. "Their special needs are not being addressed and the situation is getting worse."

Espinosa and Thomas are championing congressional efforts to stiffen small business procurement rules, strengthen the "size protest" system and eliminate "justifications" which are used to offer preferential treatment to one contractor over another. The FPA-UNF think tank's "Umbrella Initiative" goal, by the way, is to double the number of small and minority-owned businesses receiving federal, state and local contracts by 2020.

**For Interview topics with Espinosa or for his Presentations view these links**

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