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JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Friday, March 21, 2014

**Utah Construction Company to Pay Government to Settle
Alleged False Claims in Connection with Program for
Small and Disadvantaged Businesses**

Okland Construction Co. Inc. has agreed to pay the government \$928,000 to resolve allegations that it made false statements and submitted false claims under the Small Business Administration's (SBA) Section 8(a) Program for Small and Disadvantaged Businesses, the Justice Department announced today.

"The purpose of the 8(a) Program is to assist small and disadvantaged businesses to compete in the American economy," said Assistant Attorney General for the Justice Department's Civil Division Stuart F. Delery. "The Justice Department is committed to making sure that those who participate in 8(a) contracts do so honestly and fairly."

Okland Construction, a large construction company, entered into a mentor-protégé agreement with Saiz Construction Co., a participant in the 8(a) Program. The mentor-protégé program allows a large business mentor to form an SBA-approved joint venture with a small business protégé to jointly bid on and perform 8(a) contracts, which are contracts awarded by federal agencies that are set aside solely for small businesses. Without a qualifying joint venture, the mentor and protégé cannot jointly bid on 8(a) contracts, and the mentor cannot perform the primary functions of the contract.

The government alleged that Okland Construction did not form a qualifying joint venture with Saiz Construction and thus was not eligible to jointly bid on or perform the primary functions of eight 8(a) contracts with Saiz Construction. Nevertheless, Okland Construction allegedly prepared the bids for the 8(a) contracts and its employees served as project managers, submitted invoices and performed payroll and other accounting functions. Furthermore, Okland Construction allegedly concealed its extensive involvement in performing the 8(a) contracts by misrepresenting to the government that its employees were employees of Saiz Construction.

The government also alleged that Okland Construction's relationship with Saiz Construction violated the terms of an SBA set-aside contract awarded to Saiz Construction that required Saiz Construction to perform at least 15 percent of the labor on the contract minus the cost of materials.

"Large businesses must not be allowed to fraudulently obtain access to contracts set aside for small businesses," said SBA Inspector General Peggy E. Gustafson. "The SBA mentor-protégé program enhances the capability of 8(a) participants to compete more successfully for federal contracts through a relationship with another successful business; however, this program must not be used as a vehicle to improperly benefit large, non-disadvantaged companies."

"SBA's contracting programs, including the 8(a) Business Development Program, provide small businesses with the opportunity to grow and create jobs," said SBA General Counsel Sara D. Lipscomb.

"But SBA has no tolerance for waste, fraud or abuse in any government contracting program and is committed to working with our federal partners to ensure the benefits of these programs flow to the intended recipients."

The civil settlement resolves a lawsuit filed by Saiz Construction and its owner Abel Saiz under the whistleblower provision of the False Claims Act, which permits private parties, known as relators, to file suit on behalf of the government for false claims and to share in any recovery. The relators filed the lawsuit after Saiz Construction terminated its mentor-protégé agreement with Okland Construction. Saiz Construction and Saiz will receive a total of \$148,480.

This settlement with Okland Construction was the result of a coordinated effort among the Department of Justice's Civil Division, the U.S. Attorney's Office for the District of Utah, the SBA Office of Inspector General, the SBA Office of General Counsel, the Department of the Air Force and the Army Corps of



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The civil lawsuit was filed in the District of Utah and is captioned *United States ex rel. Saiz Construction Co. Inc. and Abel Saiz v. Okland Construction Co. Inc.*, No. 2:11-cv-00362 (D. Utah). The claims resolved by this settlement are allegations only, and there has been no determination of liability.

14-298

Civil Division

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