United States Small Business Administration Office of Hearings and Appeals

CVE Appeal of:

Afily8 Government Solutions, LLC Appellant,

CVE Notice of Verified Status Cancellation

RISK-T#-LTR-001-REV 20160119

SBA No. CVE-125-A

Decided: June 25, 2019

APPEARANCES

Jean Frantz Guillaume, Chief Executive Officer, Afily8 Government Solutions, LLC Okeechobee, Florida

DECISION

I. Introduction and Jurisdiction

On March 27, 2019, Afily8 Government Solutions, LLC (Appellant) appealed the decision of the U.S. Department of Veterans Affairs (VA) Center for Verification and Evaluation (CVE) cancelling Appellant's verification in VA's Vendor Information Pages (VIP) database of eligible Service-Disabled Veteran-Owned Small Businesses (SDVOSBs). Appellant maintains that the cancellation is clearly erroneous and requests that the U.S. Small Business Administration (SBA) Office of Hearings and Appeals (OHA) reverse. For the reasons discussed *infra*, the appeal is denied.

OHA adjudicates CVE appeals pursuant to 38 U.S.C. § 8127(f)(8)(A) and 13 C.F.R. part 134 subpart K. Appellant timely filed the appeal within ten business days of receiving the cancellation notice. 13 C.F.R. § 134.1104(a). Accordingly, this matter is properly before OHA for decision.

¹ The regulations at 13 C.F.R. part 134 subpart K became effective October 1, 2018. 83 Fed. Reg. 13,626 (Mar. 30, 2018).

II. Background

A. Procedural History

On August 28, 2018, an examiner for the CVE conducted an unannounced site visit to Appellant's company headquarters. Mr. Jean Frantz Guillaume, the service-disabled veteran upon whom Appellant's inclusion in the VIP database was based, was not present at the location, but spoke to the examiner via telephone. During the conversation, Mr. Guillaume informed the examiner that he worked at least 50 hours per week for Appellant, and that he has no other employment. (Case File (CF), Exh. 14, at 12.) CVE directed Appellant to provide various documentation, including Mr. Guillaume's 2017 W-2s and Appellant's subcontractor cost information for 2016 and 2017. (*Id.* at 1, 12.)

1. NOPC #1 and Response

On October 23, 2018, the Director of the CVE (D/CVE) issued a Notice of Proposed Cancellation (NOPC #1) to Appellant. NOPC #1 noted that on August 28, 2018, a CVE examiner had requested various documents, most of which Appellant had produced, except for Mr. Guillaume's 2017 W-2s and a list of the subcontractors utilized by Appellant "by name and contract amount for 2016 and 2017." (CF, Exh. 17, at 2.) Without such documentation, "CVE cannot reasonably conclude that the requirements of 38 C.F.R. § 74.20 have been satisfied." (*Id.*) Further, CVE considered the missing documents "necessary in the determination of continued verification eligibility," and therefore could not find Appellant compliant with 38 C.F.R. § 74.21(d)(5). (*Id.*) The D/CVE also noted that there is a rebuttable presumption that non-service-disabled veteran individuals or entities control a concern where "[b]usiness relationships exist with non-service-disabled veteran individuals or entities which cause such dependence that the applicant or concern cannot exercise independent business judgment without great economic risk." (*Id.* at 3, quoting 13 C.F.R. § 125.13(i)(7).) CVE had requested a list of Appellant's subcontractors "to no avail" and therefore could not determine whether the presumption had been rebutted. (*Id.*)

Appellant responded to NOPC #1 on October 24, 2018. Appellant asserted that it had provided the names of its subcontractors in response to CVE's request, albeit without "[the] corresponding applicable contracts." (CF, Exh. 18, at 1.) Thus, the statement in NOPC #1 that CVE sought subcontractor information "to no avail" was inaccurate. (*Id.*) Appellant attributed its failure to provide the requested documents to the "unreasonabl[y] short timeline" imposed by CVE. (*Id.*)

Accompanying the response, Appellant provided a 2017 W-2 for Mr. Guillaume from Guillaume Group, LLC (Guillaume Group). (*Id.* at 2.) Appellant identified three subcontractors — Loyal Source Government Services; Staff Care; and Guillaume Group — and provided printouts from the Federal Procurement Data System (FPDS) "which apply to those awards." (*Id.* at 1.) The printouts did not contain any information related to Appellant's subcontracts. (*Id.* at 3-13.) Appellant characterized Mr. Guillaume's salary from Guillaume Group as "a pittance," which would not interfere with him controlling Appellant. (*Id.* at 1.) Further, "outside activity is not in and of itself illegal." (*Id.*)

2. NOPC #2 and Response

On December 18, 2018, the D/CVE issued a second Notice of Proposed Cancellation (NOPC #2) to Appellant. The D/CVE observed that Appellant had not provided any W-2s demonstrating that Mr. Guillaume receives income from Appellant. (CF, Exh. 19, at 2.) Moreover, although Mr. Guillaume represented to the CVE examiner that he had resigned from Guillaume Group in 2007, "Mr. Guillaume's 2017 W-2 identifies his employer as Guillaume Group." (*Id.*) As a result, the CVE was unable to determine whether Appellant had submitted truthful information to CVE as required by 38 C.F.R. § 74.21(d)(1). With respect to the CVE's request for information pertaining to Appellant's subcontracts, the D/CVE acknowledged that Appellant had provided FPDS printouts and had named three subcontractors. However, Appellant did not indicate the subcontracted values or how much Appellant had paid to its subcontractors for 2016 or 2017. (*Id.*) CVE therefore could not find Appellant compliant with 38 C.F.R. § 74.21(d)(5). (*Id.*)

The D/CVE noted that Guillaume Group is a non-veteran entity apparently owned by Mrs. Guierline Majuste, wife of Mr. Guillaume. (*Id.* at 3.) According to CVE's records, Mr. Guillaume previously owned 51% of Guillaume Group, which Mr. Guillaume withdrew from the VIP program in 2014. Without further information explaining the nature and extent of the relationship between Guillaume Group and Appellant, and demonstrating that "[Appellant] is able to operate independently without the support provided by Guillaume Group," CVE cannot determine whether this business relationship causes such dependence that Appellant "cannot exercise independent business judgment without great economic risk." (*Id.*, citing 13 C.F.R. § 125.13(i)(7).)

On March 3, 2019, Appellant responded to NOPC #2. Appellant asserted that NOPC #2 contained statements which are "false, and will be vehemently denied, opposed, refused, and challenged." (CF, Exh. 23, at 9.) Appellant provided a copy of Mr. Guillaume's 2007 resignation as manager of Guillaume Group filed with the Florida Department of State. (*Id.*) However, Appellant maintained, Mr. Guillaume's 2007 resignation is "not a subject of this discussion" and "was never introduced into this exam." (*Id.* at 13.) Appellant insisted that Mr. Guillaume did not state to the CVE examiner that he resigned from Guillaume Group in 2007. Rather, Mr. Guillaume "told the examiner during the interview [] that [he] resigned in 2013 from Guillaume Group." (*Id.* at 15.) Appellant reiterated that "[Mr.] Guillaume did resign as CEO of [Guillaume Group] since 2013." (*Id.* at 13.) Appellant alleged that, by referencing the 2007 resignation, CVE improperly relied on evidence that CVE had "obtained with its own hand." (*Id.* at 9.)

Next, Appellant argued that Mr. Guillaume has been CEO of Appellant since 2014, and that in *Matter of Sunrise Staffing*, SBA No. BDPE-499 (2013), OHA found that Mr. Guillaume was in control of Guillaume Group. (*Id.* at 13.) Appellant attached a 2008 letter from CVE approving Guillaume Group to be included in the VIP database. (*Id.* at 14.) Appellant argued that

² Although NOPC #2 is dated December 18, 2018, Appellant's response indicated that Appellant did not receive NOPC #2 until March 1, 2019. (CF, Exh. 23, at 9.)

Mr. Guillaume's wages from Guillaume Group are insufficient to create undue influence, and that "it is not illegal to work outside or have outside activity or have subcontractors." (*Id.* at 15.)

Appellant contended that CVE made faulty assumptions that required CVE to ignore evidence in the record. NOPC #2 suggested that because Appellant provided Mr. Guillaume's W-2 from Guillaume Group, but no W-2 from Appellant, Mr. Guillaume does not control Appellant. Mr. Guillaume's work at Guillaume Group, though, consists of "simple recruiting tasks, nothing of importance that would require an overabundance of effort or time." (*Id.* at 17.) Further, according to his W-2, Mr. Guillaume earned approximately \$11,000 at Guillaume Group during 2017, and CVE is well aware that "generating \$11k doesn't require a great deal of time or effort." (*Id.* at 15.) Appellant asserted that the absence of a W-2 from Appellant should not have been conclusive, because CVE was in possession of Appellant's tax returns and so "clearly the CVE can see there was revenue." (*Id.*) Appellant also complained that CVE made no attempt to explain who was in control of Appellant if not Mr. Guillaume. (*Id.* at 16.) In Appellant's view, "[s]ome one has to control [Appellant], [and] if it isn't [Mr. Guillaume] th[e]n the CVE now has the burden to prove who else from the submitted facts." (*Id.*)

Appellant stated that it had attached to its response a spreadsheet of "payments from the bank for those periods to the subcontractors." (*Id.* at 18.) In a chart accompanying Appellant's response to NOPC #2, Appellant added:

CVE can see all the contracts [Appellant] ha[s] and what was paid out in the FPDS document. [CVE] can cross reference that to the spreadsheet of payments for that period and it will show what was paid out.

(*Id.* at 19.) Appellant asserted that it had entered into one subcontract with Loyal Source, two subcontracts with Staff Care, and two subcontracts with Guillaume Group. (*Id.*) Appellant also offered a list of contracts that Appellant "performs alone," as well as a list of contracts for which Appellant competed but did not win. (*Id.* at 21-28.)

Lastly, in response to the issue of undue influence, Appellant highlighted that Mr. Guillaume has 16 years of experience in healthcare systems, an associate's degree in radiology technology, a bachelor's degree in interdisciplinary studies, and a certificate in nuclear medicine technology. (*Id.* at 29.) Mr. Guillaume "ha[s] been a top-level Executive" throughout his career, and "can exercise [his] independent will and decision-making process ability and capability over any partner." (*Id.*)

B. Notice of Verified Status Cancellation

On March 25, 2019, CVE issued a Notice of Verified Status Cancellation (NOVSC) formally cancelling Appellant's status as a verified SDVOSB. (CF, Exh. 24.) CVE confirmed that Mr. Guillaume is a service-disabled veteran, but "CVE is unable to conclude that [Appellant] satisfies the requirements set forth in 38 C.F.R. Part 74." (*Id.* at 1.) Further,

³ The Case File does not contain any such spreadsheet.

Appellant's response to NOPC #2 "was not adequate to justify overturning all of the findings listed in" that document. (*Id.*)

The NOVSC explained that CVE had requested Mr. Guillaume's 2017 W-2s on multiple occasions. In response, Appellant had provided a 2017 W-2 indicating that Mr. Guillaume received approximately \$11,640 in wages from Guillaume Group. (*Id.* at 2.) Appellant did not provide W-2s or other evidence demonstrating that Mr. Guillaume had income from Appellant. (*Id.*) Moreover, Mr. Guillaume informed CVE's examiner that he had resigned from Guillaume Group in June 2007, yet the W-2 shows that Mr. Guillaume still worked for Guillaume Group during 2017. Appellant did not adequately clarify this discrepancy, so CVE was unable to determine whether Appellant provided truthful information to CVE. (*Id.*, citing 38 C.F.R. § 74.21(d)(1).)

The D/CVE further found that, according to Mr. Guillaume's 2017 W-2, he is employed by Guillaume Group, a non-veteran-owned entity, and Appellant also identified Guillaume Group as one of Appellant's subcontractors. (*Id.*) In addition, Guillaume Group apparently is controlled by Mr. Guillaume's spouse. (*Id.*) CVE requested more information to explain the nature and extent of the relationship between the two companies, in order to ascertain whether Appellant can operate independently without the support provided by Guillaume Group. (*Id.*) Appellant did not provide the requested information. Therefore, CVE cannot determine whether Appellant's business relationships with non-veterans or non-veteran entities "cause such dependence that [Appellant] cannot exercise independent business judgment without great economic risk." (*Id.*, citing 13 C.F.R. § 125.13(i)(7).)

C. Appeal

On March 27, 2019, Appellant appealed the cancellation to OHA. Appellant argues that CVE lacked proper grounds to cancel Appellant's verification under 38 C.F.R. § 74.21(d). (Appeal at 3.) In particular, Appellant maintains that it did not fail to provide CVE with requested documents, nor did it provide false information to CVE. (*Id.*) Further, there has been no change in Appellant's ownership or control by a service-disabled veteran. (*Id.*)

Appellant highlights that, in its response to NOPC #2, Appellant made clear that Mr. Guillaume performs simple recruiting tasks for Guillaume Group, which is consistent with the \$11,000 he received from the company in 2017. (*Id.*) CVE disregarded this response and unreasonably concluded that Appellant did not explain the relationship between the companies. (*Id.* at 3-4.)

Next, Appellant observes that, in the NOVSC, CVE stated that Appellant did not provide a W-2 demonstrating that Mr. Guillaume earned income from Appellant. A W-2, though, "is not the only form of 'income', and [Appellant] instructed the CVE to evaluate the [tax form] 1120S which was in the record since early on in the exam." (*Id.* at 4.) Had CVE reviewed Appellant's tax returns, it would have discovered that Appellant made a distribution of \$12,309 during 2017, an amount greater than the income reported on Mr. Guillaume's W-2 from Guillaume Group. (*Id.* at 4-5.)

Appellant reiterates that, in its response to NOPC #2, Appellant stated that it has two subcontracts with Guillaume Group, and no additional information should be needed to describe the relationship. (*Id.* at 5.) "The relationship with the two firms is Prime over Sub, and the type of work is dispositive to that answer as well, healthcare worker staffing or NAIC[S] [code] 561320." (*Id.*) Appellant further asserts that "CVE was given the amounts to the Subcontractors" because Appellant provided "the file called 'These are wires not checks' as early as the exam could be." (*Id.* at 6.) According to Appellant, "CVE ignored or misinterpreted that data, and falsely accused [Appellant] of not submitting the documents [CVE] requested." (*Id.*)

Appellant maintains the CVE "created a false quote and attributed it to [Mr. Guillaume]" by claiming that Mr. Guillaume told the CVE examiner that he resigned from Guillaume Group in 2007. (*Id.* at 7.) Appellant denies that Mr. Guillaume made this statement, and posits that CVE instead likely obtained this information from the Florida Secretary of State website. (*Id.* at 7-8.)

Appellant argues that "the record [is] replete with facts, documents, and extreme examples of Veteran Control." (*Id.* at 9.) Mr. Guillaume is in control of Appellant where his own signature, not his wife's, is affixed to each awarded contract. (*Id.* at 11.) To further demonstrate a lack of undue influence by Guillaume Group or Mrs. Majuste, Appellant provided CVE with information about Appellant's proposals and awarded contracts. (*Id.* at 12.) Additionally, Appellant has avoided subcontracting with Guillaume Group for projects that do not also align with Appellant's core competencies. (*Id.*) Appellant notes that Mr. Guillaume was formerly CEO of Guillaume Group for 9 years. (*Id.*) The services performed by the companies are not identical, so Mrs. Majuste "at least in part cannot support many of the core competencies [Appellant] performs, because she doesn't have that past performance, experience or capabilities." (*Id.* at 13.)

Appellant argues that CVE overlooked that Appellant performs several contracts without any subcontractors. (*Id.*) Further, Mr. Guillaume has independently produced more than 40 proposals, working "many hours concocting price strategies, typing proposals, and often even recruiting staff." (*Id.* at 14-15.) According to Appellant, preparing proposals is "the most crucial aspect of daily activity, because it's [a] critical aspect of business development required for the firm to remain viable, [and] also where most of the time is spent besides the actual servicing on already awarded contracts." (*Id.* at 15.)

Appellant maintains that there is no evidence that any person other than Mr. Guillaume is conducting management functions for Appellant on a continuous basis. (*Id.* at 17.) Appellant adds that it does not share office space with Guillaume Group; that the two firms have no common ownership or management; that Appellant obtains no financial support from Guillaume Group; and that Mrs. Majuste holds no critical license or qualification necessary for Appellant to operate. (*Id.*) Further, Mr. Guillaume has far more healthcare-related experience than Mrs. Majuste. (*Id.*) CVE did not provide sufficient supporting evidence for its allegations of undue influence, which are "vague" and "should not prevail in a case requiring preponderance of the evidence." (*Id.* at 18.)

D. Additional Filings

On April 11, 2019, CVE timely submitted the Case File to OHA, but did not serve a copy of the Case File to Appellant, and did not inform Appellant that the Case File had been transmitted to OHA. On April 12, 2019, the date of the close of record, Appellant filed a "Motion Objecting to the Missing Administrative Record" and a "Motion Requesting to Supplement the Record." In these motions, Appellant complained that CVE had not produced the Case File, and sought leave to introduce documents purporting to show Appellant's eligibility for inclusion in the VIP database.

On April 14, 2019, Appellant filed a "Motion Requesting Summary Judgment," contending that CVE had "thumbed its nose" at OHA by failing to submit the Case File or to respond to the merits of the appeal. That same day, Appellant also filed a "Motion to Augment the Object[ion] to the Absent Administrative Record File (Manifest Injustice)." On April 17, 2019, Appellant filed a "Motion Requesting to Supplement Summary Judgment."

On April 17, 2019, Appellant informed OHA that, based on discussions with CVE, Appellant had become aware that CVE did transmit the Case File to OHA, and requested a copy of the Case File. OHA provided Appellant the index listing all documents included in the Case File. On April 22, 2019, Appellant filed a "Motion to Object to the AR File Submitted Timely, and Motion to Supplement the AR File." Appellant observed that the Case File does not contain any video or audio recording demonstrating that Appellant told the CVE examiner that Mr. Guillaume resigned from Guillaume Group in 2007.

On April 26, 2019, the D/CVE filed a Consolidated Response to Appellant's motions, requesting that the motions be denied. The D/CVE noted that, contrary to Appellant's allegations, CVE did timely transmit the Case File to OHA on April 11, 2019, and there is no requirement that CVE serve a copy of the Case File to Appellant. (Consolidated Response at 3.) CVE also is not required to respond to the merits of an appeal, and CVE did not believe a substantive response was warranted in the instant case. (*Id.* at 3-4.)

On April 26, 2019, Appellant filed a "Motion to Object and Refute the CVE Consolidation Motion," and on June 12, 2019, an "Addendum 2 to Motion to Object and Refute the CVE Consolidated Response." On June 18, 2019, filed "Addendum 3 to Motion to Object and Refute the CVE Consolidated Response." On June 20, 2019, the D/CVE filed a "Response to Addendum 3 to Motion to Object and Refute the CVE Consolidated Response."

OHA's rules of procedure governing CVE appeals provide that OHA "will issue a notice and order establishing the timetable for transmitting the case file to OHA." 13 C.F.R. § 134.1107. Here, OHA ordered that the Case File be submitted by April 11, 2019, and CVE did, in fact, produce the Case File on this date. As the D/CVE observes in his Consolidated Response to the motions, OHA's rules do not require that CVE also furnish a copy of the Case File to the Appellant. Further, although CVE may file a substantive response to the merits of an appeal, CVE is not required to do so. *Id.* § 134.1108(a). Accordingly, no basis exists here for OHA to

summarily grant the appeal or otherwise to impose sanctions upon CVE. *Id.* § 134.219. For these reasons, Appellant's motions are DENIED.⁴

III. Discussion

A. Standard of Review

Appellant has the burden of proving, by a preponderance of the evidence, that the cancellation was based upon clear error of fact or law. 13 C.F.R. § 134.1111.

B. Analysis

CVE in this case based its decision to cancel Appellant's verification on two grounds. Section II.B, *supra*. First, CVE found that Mr. Guillaume informed CVE's examiner that he had resigned from Guillaume Group in 2007, but Mr. Guillaume's 2017 W-2 showed that he still worked for Guillaume Group during 2017. *Id*. CVE therefore was unable to determine whether Appellant had provided truthful information to CVE, as required by 38 C.F.R. § 74.21(d)(1).

Second, evidence available to CVE showed that Mr. Guillaume is employed by Guillaume Group, a non-veteran-owned entity, and Appellant also identified Guillaume Group as one of its three subcontractors. *Id.* CVE requested additional information to explain the nature and extent of the relationship between Appellant and Guillaume Group. In particular, CVE repeatedly asked that Appellant provide the amounts paid to each of its subcontractors, so that CVE could ascertain whether Appellant could operate independently without the support of Guillaume Group. *Id.* Appellant did not produce the requested information, so CVE could not determine whether Appellant's business relationship with Guillaume Group caused such dependence that Appellant cannot exercise independent business judgment without great economic risk. *Id.*

On appeal, Appellant has the burden of proof, and has not shown that either of the grounds cited by CVE is clearly erroneous. With regard to the issue of false information, VA regulations make clear that CVE may remove a concern from the VIP database for "good cause," which may include "[s]ubmission of false information in the participant's VIP Verification application." 38 C.F.R. § 74.21(d)(1). Appellant argues at length that, contrary to the NOVSC, Appellant did not state that Mr. Guillaume resigned from Guillaume Group in 2007, but rather stated that he resigned in 2013. This argument misses the point of CVE's determination. Regardless of the specific date of Mr. Guillaume's resignation from Guillaume Group, there is no dispute that Appellant did tell CVE's examiner that Mr. Guillaume had resigned from Guillaume Group, and did tell CVE's examiner that Mr. Guillaume now works exclusively for Appellant.

⁴ It is worth noting that OHA's rules also make clear that OHA will establish a deadline for the close of record, "after which no additional evidence or argument will be accepted." 13 C.F.R. §§ 134.225(b) and 134.1108(b). In the instant case, the record closed on April 12, 2019. Insofar as Appellant seeks, through its various motions, to supplement its arguments beyond those presented in its appeal petition, such arguments are not properly before OHA because they were filed after the close of record.

Sections II.A and II.A.2, *supra*. These statements are contradicted by Mr. Guillaume's 2017 W-2 from Guillaume Group, which Appellant itself provided to CVE with its response to NOPC #1. Section II.A.1, *supra*. Accordingly, CVE had a proper basis to question whether Appellant had provided truthful information to CVE.

Turning to the second ground for cancellation, whether Appellant could exercise independent business judgment without great economic risk, Appellant contends that CVE ignored Appellant's arguments that Appellant operates independently from Guillaume Group, and that the wages Mr. Guillaume earns from Guillaume Group are minimal and are outweighed by his income from Appellant. While it is true that the NOVSC was silent on these points, the problem for Appellant is that Appellant did not adequately respond to CVE's repeated requests for information about Appellant's subcontracts. The record reflects that CVE requested subcontractor payment information from Appellant beginning in late August 2018. Section II.A, supra. In response, Appellant provided the names of its subcontractors, which included Guillaume Group, and also submitted printouts from the FPDS website with information about Appellant's contracts. Section II.A.1, supra. The FPDS printouts, though, did not indicate whether Appellant engaged subcontractors on the contracts, or the amounts paid to any such subcontractors. Id. In its response to NOPC #2, Appellant stated that it was attaching a spreadsheet of subcontractor payments, but that spreadsheet is not in the Case File, nor has Appellant produced it on appeal. Sections II.A.2 and II.C, supra. It therefore does not appear that Appellant ever provided the requested subcontractor payment information to CVE.

VA regulations state that CVE may remove a concern from the VIP database when the concern fails to provide information requested by CVE, or when the concern fails to maintain its eligibility for program participation. 38 C.F.R. § 74.21(d)(2) and (5). In the instant case, CVE found that Appellant did not show that it had maintained continuing eligibility because, under 13 C.F.R. § 125.13(i)(7), there is a presumption that service-disabled veterans do not control a participant when "[b]usiness relationships exist with non-service-disabled veteran individuals or entities which cause such dependence that the applicant or concern cannot exercise independent business judgment without great economic risk." Although this presumption can be rebutted, CVE could reasonably conclude that Appellant here did not rebut the presumption, because Mr. Guillaume is employed by Guillaume Group, a company owned by his wife, and because Appellant did not disclose the amounts Appellant paid to its subcontractors, and in particular what Appellant paid Guillaume Group, despite multiple requests from CVE. Accordingly, Appellant has not shown that the NOVSC is clearly erroneous.

IV. Conclusion

For the above reasons, the appeal is denied. This is the final agency action of the U.S. Small Business Administration. 38 U.S.C. § 8127(f)(8)(A); 13 C.F.R. § 134.1112(d); 38 C.F.R. § 74.22(e).

KENNETH M. HYDE Administrative Judge