

Self-Certified

*What the government stopped taking on faith,
and what it still does.*



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Executive summary

Every federal contract award rests on a stack of statements the contractor made about itself. That it is small. That it is owned and controlled by the people it says own and control it. That it does not use covered telecommunications equipment. That it has assessed its own cybersecurity. Most of those statements are checked by no one at the moment they are relied on. They are attested, in a government database, under penalty of law, and then accepted.

Federal contracting has spent the last fifteen years learning, one program at a time, that this is not enough. When the Government Accountability Office tested the honor system for service-disabled veteran-owned firms, it found ineligible companies holding roughly \$100 million in set-aside contracts, and the firms kept winning work after they were exposed. The government's response was not a lecture about honesty. It was structural: it replaced self-certification with certification, first for women-owned firms in 2020, then for veteran-owned firms in 2023, and in 2024 it closed the last veteran-owned loophole by ending self-certification for goaling credit as well.

This paper reads that arc for what it concedes. A government that converts a program from self-attestation to verified certification has admitted, in the Federal Register, that attested is not verified. It has also left a map of what it still takes on faith. Small business size status, the annual representations and certifications in the System for Award Management, and women-owned status for goaling purposes all still run on self-attestation, checked mainly by a competitor's protest after the fact. And the certification machinery the government built to replace the honor system carries, as of late 2025, an unresolved finding about its own controls.

The lesson is not confined to federal contracting. Any organization that relies on a counterparty's statement about itself, a prime relying on a subcontractor's certification, a funder relying on a grantee's eligibility, a board relying on management's representation, is running the same honor system. The federal record shows how it fails, what fixing it looks like, and why the fix is never finished.

1. The reliance chain

Consider what actually happens when a contracting officer awards a small purchase. Before award, the officer confirms that the offeror has an active registration in the System for Award Management, known as SAM. The officer reads the offeror's representations and certifications, which the firm entered itself and updates once a year under Federal Acquisition Regulation provision 52.204-8. The officer may confirm that a specific representation reads the way the solicitation requires. A Navy request for quotation issued in September 2026, for example, stated that an offeror's covered-telecommunications representation under FAR 52.204-26 "must list DOES NOT" in SAM to be considered valid, and required each offeror to supply the identifier of its cybersecurity self-assessment from the Supplier Performance Risk System.

Every item in that chain is a statement by the offeror about the offeror. The registration is self-entered. The representations are self-made. The cybersecurity assessment, at the level that solicitation required, is a self-assessment. The contracting officer is not verifying these things; the officer is confirming that the offeror has said them. That is the design, and it is not unreasonable. A procurement system that independently verified every representation on every award would not function. The system instead relies on three things: the offeror's signature under penalty of law, the possibility of a protest by a competitor, and periodic audits and enforcement actions after the fact.

What follows is an account of what happened when the government tested how well that reliance worked for one category of representation, and what it did about it.

2. The failure record

In 2009, the Government Accountability Office reported the results of an investigation into the governmentwide program that set aside contracts for service-disabled veteran-owned small businesses. The program was, at that time, a self-certification program: a firm checked a box in the federal contractor registration database, and contracting officers relied on the box.

GAO selected ten firms for case study. It found that the ten had received approximately \$100 million in SDVOSB set-aside and sole-source contracts for which they were ineligible, plus more than \$300 million in other federal contracts. The mechanisms were not exotic. In some cases the firm was majority-owned by a non-veteran. In others a service-disabled veteran was the nominal owner while employed full time elsewhere, or the firm passed the work through to a large business, or subcontracted all of it. GAO's summary of the control environment was direct. "Neither the SBA, except when responding to a protest, nor contracting officials are currently verifying the eligibility of firms claiming to be SDVOSBs." The context was not small. SDVOSB awards in fiscal year 2008 totaled about \$6.5 billion.

The follow-up was worse than the finding. In July 2011, GAO reported that all ten case-study firms had continued to receive federal contracts after the original investigation, more than \$100 million in additional obligations through March 2011, about \$16 million of it on SDVOSB set-asides. The Department of Veterans Affairs, which by then ran its own verification program for VA awards, had rejected seven of the ten from that program. Two of the firms, GAO reported, "continue to self-certify SDVOSB eligibility" in the federal registration database. Outside the VA, agencies remained "only required to check contractor self-representations" concerning a firm's status. Exposure had not changed the incentive, because nothing had changed the check.

By 2012 the picture had a second dimension. GAO reported that the VA, under a 2010 statutory mandate to verify the firms in its database, had not completed that verification for 60 percent of them, 3,717 of 6,178 firms, and that unverified firms had received \$90 million in VA contracts in a six-month window. Five documented cases involved approximately \$190 million in obligations to potentially ineligible firms, and \$340 million in Department of Defense contracts had gone to firms potentially misrepresenting their status. The Small Business Administration's governmentwide program still relied entirely on self-certification. GAO's recommendation that VA verify every firm in its database was closed as implemented in 2015.

Three features of this record deserve attention, because they generalize.

First, the failure was invisible from inside the system. Every firm in the case studies had a complete, current, signed representation on file. Nothing in the award process flagged them. It took an outside investigator, working from the underlying ownership and employment records, to see what the representations concealed.

Second, penalties did not substitute for verification. Misrepresentation of status was already unlawful. The firms did it anyway, and kept doing it after they were named, because the routine check at award was a check that a box had been ticked.

Third, the one place a real check existed, a protest by a competitor, only ever fired when a competitor noticed and chose to act. It was a check against the loudest cases, not a check against the population.

3. The government's answer

The government's response, spread across a decade of statute and rulemaking, was to stop relying on the box.

For women-owned small businesses, Section 825 of the National Defense Authorization Act for Fiscal Year 2015 amended the Small Business Act to require that a firm be certified as women-owned by a federal agency, a state government, SBA, or an SBA-approved certifier before competing for a set-aside or sole-source award under the program. SBA's final rule implementing that requirement was published on May 11, 2020, at 85 FR 27650, and the certification requirement took effect on October 15, 2020. From that date, a firm that had not been certified was not eligible for a WOSB program award, whatever it had represented about itself.

For veteran-owned and service-disabled veteran-owned firms, Section 862 of the National Defense Authorization Act for Fiscal Year 2021 moved certification from the VA to SBA and, in the process, extended verified certification to the governmentwide program that GAO had found running on self-certification. SBA's rule was published on November 29, 2022, at 87 FR 73400, and took effect on January 1, 2023, with a one-year grace period for self-certified firms that applied. The VA's verification pages closed; SBA's Dynamic Small Business Search became the system of record for certification status.

The last step came in 2024. Section 864 of the National Defense Authorization Act for Fiscal Year 2024 eliminated self-certification for SDVOSB goaling as well. SBA's direct final rule, published June 6, 2024, at 89 FR 48266 and effective August 5, 2024, provides that a firm must be certified "to receive a prime contract that is to be counted by a Federal agency for the purposes of meeting participation goals for SDVOSBs." The statute set October 1, 2024 as the date from which only certified firms' prime contracts and subcontracts count toward the veteran-owned goals, with a grace period: firms could continue to self-certify until December 22, 2024, and a firm that filed its application by that date could continue until SBA decided it. SBA published a clarification on August 1, 2024 saying exactly that, because commenters had read the rule's effective date as the certification deadline.

Read together, these rules are a confession, made in the most formal register the executive branch has. Each one says that for this category of representation, on this kind of award, a signature in a database was not sufficient evidence, and an independent determination against ownership, control, and eligibility records is now required before the government will rely on the claim. That is the definition of the verification gap set out in this series' first paper, applied by the government to itself.

The reforms also carry an operational lesson. Certification is work. SBA's own release of November 11, 2025 reported that the veteran certification program had cleared a backlog of more than 2,700 pending applications, and that average processing time had fallen from 81 days at the end of 2024 to 12 days, against an original program target of 30. Verification has a cost, measured in reviewer hours and applicant delay. The government paid it because the alternative, documented over a decade by its own auditors, cost more.

4. The loophole that stayed open

The arc is not symmetrical, and the asymmetry is instructive.

When SBA ended WOSB self-certification in 2020, it did so only for awards under the program. The rule is explicit that other women-owned firms "may continue to self-certify their status, receive contract awards outside the Program, and count toward an agency's goal for awards to WOSBs," language SBA wrote into the regulation itself at 13 CFR 127.200(c)(2), and its preamble states the point in five words: a concern may continue to self-certify "for goaling

purposes." A firm that has never been examined by anyone can still be counted, in the government's published achievement against its five percent women-owned goal, on its own word.

For veteran-owned firms, Congress and SBA closed exactly that door in 2024. As of this writing, the government's reported achievement against its SDVOSB goal is built only on certified firms, and its reported achievement against its WOSB goal is built partly on self-certified ones. The two numbers appear side by side on the same annual scorecard and are not the same kind of number. One has been verified at the firm level. The other has not.

This is worth stating plainly because it is the ordinary condition of most reporting, not an anomaly. A published figure inherits the reliability of the weakest link in its chain. When some inputs are verified and some are attested, the total is attested, and a reader who does not know which inputs are which has no way to tell how much of the figure to trust. Any organization that publishes an aggregate built on counterparty self-reports, supplier diversity spend, subrecipient compliance rates, workforce credentials, faces the same problem, and usually without a Federal Register notice to flag it.

5. What still runs on the honor system

Beyond the goaling asymmetry, the largest category of federal contracting reliance remains self-attested by design.

Small business size status, the foundation of every set-aside, is self-certified. SBA's regulation at 13 CFR 121.405 asks, in its own heading, whether a business concern may self-certify its small business size status, and answers that it may. The representation is made in SAM at the time of offer and refreshed annually. The firm calculates its own receipts or employee count, applies the size standard for the NAICS code the contracting officer assigned, accounts for its own affiliates, and checks the box.

The check on that representation is the size protest. As the Congressional Research Service describes the mechanism, a competitor, the contracting officer, or another interested party may protest an apparent winner's size, generally within five business days; an SBA Area Office determines size; the determination can be appealed to SBA's Office of Hearings and Appeals; and knowing misrepresentation exposes the firm to suspension, debarment, and civil and criminal liability under 13 CFR 121.108. It is a real mechanism with real teeth. It is also the same shape as the mechanism GAO found insufficient for veteran status in 2010: a check that runs only when someone outside the system decides to trigger it, against the cases that happen to draw attention. No statistics on protest volume are published in the CRS product, and none are needed to see the structure. A protest is an exception process, not a verification process.

The annual representations and certifications in SAM are the same. A firm's answers about its ownership, its business type, its compliance with a long list of statutory conditions, and its telecommunications supply chain are entered by the firm, refreshed by the firm, and relied on by every contracting officer who reads them. The Navy solicitation described in Section 1 did what a careful contracting office does: it named the representation it needed and confirmed that the offeror had made it. It did not, and could not within the award process, confirm that the representation was true.

None of this is an argument that the government is careless. It is an observation about where the government has decided verification is worth its cost and where it has not. Program eligibility for veteran-owned and women-owned set-asides now clears that bar. Size, most reps and certs, and women-owned goaling do not. The line moves when the failure record becomes undeniable. It moved three times in five years.

6. The verifier's own controls

There is a final turn in the record that matters for anyone building a verification function, in government or out of it.

In December 2025, GAO reported on SBA's management of fraud risk, improper payments, and its contracting programs. Among its findings was that the Unified Certification Platform, the system SBA built to process certifications for its contracting assistance programs, had been developed without a project-level risk management strategy or a risk mitigation plan, and without fully identifying and documenting its risks, conditions GAO said "increased the likelihood of a successful cyberattack." GAO reported that SBA had not addressed fourteen of twenty-one recommendations from prior work, and that SBA disagreed with eight of the recommendations concerning the certification system's risk management and cybersecurity. GAO stated that it continues to monitor the agency's efforts.

The point is not that the certification programs are failing. GAO did not say that, and this paper does not. The point is that the verifier is subject to the same discipline it applies. A certification is only as reliable as the process and the system that produced it, and that process has controls of its own that can be examined, found wanting, and remediated or not. Verification does not end when a program converts from attestation to certification. It moves up a level.

7. What verification looks like

The federal arc supplies a working definition of the difference between attested and verified, because the government wrote both halves down. Self-certification is a signed representation, relied on at award, checked by protest. Certification is an independent determination, made before reliance, against records the firm did not create for the occasion: ownership documents, control documents, financial records, and the eligibility criteria applied to them by someone with no stake in the answer.

That is the same method this series described in its first paper, and it applies wherever an organization is currently relying on a counterparty's word.

Define the commitment from the binding source. For a certification, that is the eligibility rule itself, not the firm's description of why it qualifies. For a subcontractor's claimed status, it is the program's regulation, not the subcontractor's capability statement.

Identify the record that would settle the question before asking the party. Ownership is settled by formation and equity documents. Control is settled by operating agreements, board minutes, and signature authority. Size is settled by tax returns and payroll. A representation that cannot be traced to a record of that kind has not been verified; it has been repeated.

Obtain the record from its source, or from a public register that anyone can check, rather than from a summary the represented party prepared. SBA's Dynamic Small Business Search is a public system of record for certification status; a prime that relies on a subcontractor's veteran-owned status can confirm it there in minutes, and a prime that does not is relying on a self-report the government itself stopped accepting.

Grade each representation as verified, contradicted, or unverifiable, and cite the record. The third grade matters most. A status that cannot be confirmed because the confirming record does not exist or was not produced is a finding, not a gap to be skipped, and it is the finding that the 2009 case studies would have surfaced years earlier had anyone been recording it.

A note on scope, carried forward from the first paper. The document-grounded verification described here does not express a CPA opinion and does not provide assurance under the attestation standards that govern licensed practice; it is not a substitute for an audit where one is required, and it is not an SBA determination of eligibility, which only SBA can make. What it delivers is independent factual confirmation, each representation traced to a citable record, for the many reliance decisions that no regulator will ever make for you.

Conclusion

Federal contracting did not discover the verification gap in a seminar. It discovered it in ten case files, a hundred million dollars, and a decade of testimony showing that a signed box in a database, backed by criminal penalties and an occasional protest, did not keep ineligible firms out of set-aside contracts. Its answer was to stop accepting the box for the categories where the damage was documented, and to say so in rules that any reader can consult.

The rest of the reliance chain still runs on faith, and the government has been candid about that too. Size is self-certified. Most representations are self-made. Women-owned goaling still counts firms no one has examined, while veteran-owned goaling no longer does. And the certification machinery itself has an open finding about its own controls.

None of this is unique to government. It is what every reliance relationship looks like before someone checks. The federal record is useful because it is public, dated, and honest about its own reforms, which makes it the clearest available demonstration that attested is not verified, that the difference has a price, and that the party relying on the claim is the one who pays it.

About ESRD Global Strategics. ESRD Global Strategics LLC is an independent compliance verification and public-record research firm based in Gainesville, Virginia. The firm holds no vendor or reseller relationships that could color its findings and takes no stake in the outcomes it examines; its role is to provide the conflict-free, independent findings that funders, boards, primes, and communities can rely on. The firm is itself SBA-certified as a service-disabled veteran-owned, veteran-owned, women-owned, and economically disadvantaged women-owned small business and has been through the certification processes this paper describes. This paper is educational and general in nature and is not audit, legal, or accounting advice; independence and assurance determinations for any specific engagement are made against the applicable professional standards and the facts of that engagement.

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