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Contract consolidation: A win for taxpayers, maybe, but at what cost to small businesses?

By [J.D. Harrison](#), Published: April 25 | Updated: Monday, April 28, 5:00 AM

Over the past few years, as the Obama administration looked to save money by consolidating federal contracts into fewer, larger awards, lawmakers put in place new rules meant to prevent small businesses from being squeezed out of the contracting arena.

Some say those protections simply aren't working.

"Small businesses have been struggling with [contract bundling] for years," Robert Burton, a federal procurement attorney at business and corporate law firm Venable, said during an event last week in Washington. "I just don't feel like there's been any real progress in this area, and arguably, with contract consolidation being more aggressively pursued, it's becoming an even bigger problem now."

Under a directive known as the Federal Strategic Sourcing Initiative, the General Services Administration has been pushing federal agencies to, when possible, [combine separate contracts](#) for similar goods and services into one larger contract. Officials say the practice helps them minimize administrative costs and secure lower prices from suppliers — both of which translate into lower costs for taxpayers.

However, both by cutting down on the number of awards and by seeking companies that can handle larger orders, some say the initiative has made it much more difficult for [small contractors](#) to compete for work.

"Right now, there may be 500 small contractors providing janitorial supplies to the government right now, but that's likely to be reduced to a mere couple dozen," Burton said during a panel discussion at the American Council for Technology-Industry Advisory Council's Small Business Conference on Thursday. "It's going to mean fewer opportunities for small businesses, there's no doubt about it."

In an effort to protect small companies, Congress in 2010 passed legislation requiring agencies to conduct an analysis on the impact on [small businesses](#) any time contracting officers decided to bundle two or more previously separate contracts. A report justifying the decision and outlining the expected government savings must be published online.

"In my experience, that simply isn't being done," Burton said.

Emily Murphy, senior counsel for the House Small Business Committee, agreed. After inquiries from the committee's chairman, Rep. Sam Graves (R-Mo.), the Government Accountability Office looked into the matter last year and found that the mandatory small-business analysis [often isn't performed](#) because contracting officers fail to label consolidated contracts as "consolidated" in the federal procurement database.

The Small Business Administration has encountered the same problem. A recent investigation by the agency into one of GSA's newly bundled contracts for office supplies, for example, which garnered protests from several small businesses, found that officials [never conducted the required assessment](#) because the contract was not marked as bundled.

"That box isn't being checked," Murphy said, later arguing that smaller contract bundles are the ones most likely to fall through the cracks without additional oversight. "So, we kept asking for the bundling validation, and they told us that it wasn't bundled, so they don't need a justification."

In response, Graves recently introduced [legislation](#) that would require the SBA to more closely monitor data on bundled contracts and hold other agencies more accountable for properly labeling awards and conducting the mandatory impact analysis. Murphy says she's "very confident" the proposal will be included in the annual defense budget authorization bill hammered out by Congress later this year.

Still, that may only be the first step. Kenneth Dodds, director of the SBA's government contracting office, noted that contracting officers are not required to go back and review whether their analysis — including the expected government savings — were accurate.

"The problem is that we don't go back and look five years down the road to see whether they were right when they said they would save, say, 20 percent by bundling a contract, so there are no ramifications for being wrong," Dodds said. "We need that backwards look."

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