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GSA owes more than \$3 million to small businesses

By [J.D. Harrison](#), Published: May 15 | Updated: Thursday, May 16, 5:00 AM

The General Services Administration has failed to fully pay 1,334 federal contractors, shorting them by more than \$3 million since 2008, according to a House committee report released Thursday.

The amount may not be large, but lawmakers on the Republican-led House Small Business Committee emphasized the importance of such companies.

“Contracting with small businesses is good for the economy and it’s good for the taxpayer because small companies bring cost-savings to the federal government,” Sam Graves (R-Mo.), the committee chairman, said in a statement. “But when federal agencies don’t live up to their end of the bargain, small businesses are discouraged from competing and taxpayers lose the benefits of government efficiency.”

The agency did not fulfill a “guaranteed minimum payment” clause outlined in many of its contracts, the report said.

GSA plans to pay the debts dating to 2007, according to an agency spokeswoman.

“Because of policy dating back several years and several administrations, some businesses were not compensated because they had to request the guaranteed minimum payment to GSA,” Betsaida Alcantara, the agency’s communications director, said in an e-mail. “Under new leadership, GSA is changing its policy and will no longer require eligible small businesses to request these payments.”

Alcantara emphasized that the practice of withholding payments from contractors that do not formally request the money predates the agency’s current management, although GSA could not provide data before 2008.

Thomas Sharpe, the GSA’s federal acquisition services commissioner, confirmed the delinquent payment issue in a letter to Graves.

“Moving forward, GSA intends to administer clause I-FSS-106,” Sharpe wrote, referring to the minimum-payments provision that has been in its current form since 2003.

[The GSA](#) offers an online catalogue of government services known as the Multiple Award Schedules

program, from which other agencies can purchase goods and services — from ink pens to construction services — usually at discounted prices. To be listed, [contractors](#) must undergo a rigorous and often expensive vetting process, and once approved, they must meet minimum government sales mandates to stay in the program (\$25,000 in combined sales the first two years and \$25,000 each year after that).

Businesses that make it into the program are guaranteed at least \$2,500 in federal agency orders. Although the contract clause does not require firms to request the money, GSA officials say they informed contractors to contact the agency to receive the payment.

From now on, the agency plans to send those payments automatically, in accordance with the clause.

“That minimum-sales guarantee is essentially the government paying for the promise that the company makes to deliver the agreed-upon goods and services when ordered at agreed-upon prices,” Alan Chvotkin, executive vice president and counsel of the Professional Services Council, an industry group, said in an interview.

Chvotkin said the guarantees apply only to [contractors](#) who enter into indefinite, multiple-award programs, not those who compete for individual contracts.

If a company is removed from the MAS program and doesn’t make a minimum of even \$2,500, the federal government is required to make up the difference between the company’s sales and that \$2,500 minimum.

Members of the House committee learned of the delinquent payments last summer while reviewing GSA’s [proposed changes](#) to the MAS program.

This story has been updated with new information provided by GSA.

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