



Testimony of

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Subcommittee on Government Operations

*“Effects on Government Contractors of the
2018-19 Partial Government Shutdown”*

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Good morning Chairman Connolly, Ranking Member Meadows, and Members of the House Committee on Oversight and Reform. Thank you for the opportunity to speak with you today about the impact of the recent partial government shutdown on the small business contracting community.

My name is Alba Alemán. I am the founder and CEO of Citizant, Inc., a small business government services firm based in Chantilly, Virginia. We employ 180 professionals supporting federal agencies in 26 states across the country. We have been in business since 1999 and have weathered many storms – Y2K, 9-11, numerous government shutdowns, continuing resolutions, administration and policy changes, and the budget control act of 2011. Through all these emergencies and disruptions, we have continued to support important missions at the IRS, DoD, DHS, and DOJ.

In the last 20 years, we have built computing systems, led critical modernization initiatives, implemented governance programs, and developed robust data strategies. These solutions have enabled federal agencies to provide essential services for our fellow citizens. We have helped many agencies improve their efficiency and effectiveness, thereby allowing them to save or repurpose untold millions of taxpayer dollars. We found homes for victims of natural disasters like Hurricane Katrina and wildfires in California. We helped the IRS assess and collect fees of more than \$15 billion a year for the General Treasury Fund that helped provide access to affordable healthcare for millions of Americans. We led rigorous data management efforts to promote information sharing in the homeland security space, and helped our government leaders become better stewards of tax payer monies. As government contractors, we do the vital work that agency staff are unable to do for themselves due to lack of resources or expertise.



During the recent partial shutdown in December and January, I became actively engaged on social media to disseminate information to federal workers, government contractors, and business leaders – posting weekly updates to my Government Shutdown Survival Guide to help others plan for the unknowns, manage cash flow, and preserve staff during the 5-week shutdown. You all know, as well as I do, that government shutdowns come at a hefty price. According to S&P Global Ratings, the recent shutdown was projected to shave approximately \$1.2 billion off real GDP for every week of the partial closure. Like others before, this shutdown impacted not only federal workers and government contractors, but all Americans and businesses across the country.

The purpose of my testimony today is to shed light on the shutdown's damaging impact on our business and the vital government programs we serve, and to offer a few ideas about how the government can lessen the impact on contractors during the next shutdown.

In late December last year, six of the federal programs we serve were immediately halted. This affected 30 Citizant employees, cut \$430,000 of revenue, forced a \$200,000 loss in profitability, and cost us more than \$15,000 in interest expenses as we borrowed against our line of credit. Based on lessons from previous shutdowns, we immediately started a company-wide leave donation program and collected nearly 2,500 hours of leave from our employees working on programs that were still operating. We redistributed those hours so that 100 percent of our workforce was guaranteed a full paycheck for the entire duration of the shutdown. Our employees were extremely grateful that our plan worked to keep everyone paid and engaged until the shutdown was over.

However, the official end of the shutdown did not end the worry or crisis for Citizant and other contractors. Because the government had furloughed those responsible for approving and paying



invoices, we did not receive payment for services rendered throughout the shutdown – in some cases, for work performed as far back as October 2018. Government payments stopped even for projects that were not shut down, though we were contractually required to continue our support. Citizant’s unpaid invoices continued to pile up well into March 2019, putting us more than \$4 million dollars in debt. We maxxed out our borrowing capacity and had to postpone paying our own vendors, including the IRS, until early April. We continued to assess our cash flow and finances daily for months after the shutdown was over, because we were gravely concerned about how we would cover our \$700,000 payroll every two weeks, due to the government’s delayed payment of our invoices.

I can’t begin to tell you the level of stress and panic that strikes at the heart of a business owner, especially one like myself who has dedicated the last 20 years of her life to citizen and government service. After 20 years of frugal and careful living so that I could serve my government and my employees with passion and compassion, I was forced to reinstate my home equity line of credit. I prepared to withdraw 100 percent of my retirement and life savings, and signed bank agreements to increase personal guarantees to gain access to additional monies, should the government not pay our invoices by the end of March. We lived payroll to payroll, in fear, and on high alert, begging and pleading daily with our government to please pay our invoices immediately.

When your only customer doesn’t pay you for several months and you have breached your borrowing capacity, you face the dire prospect of filing for bankruptcy and selling off parts of the company for pennies on the dollar. We were within days of having to take such drastic action.

We strained for 4 weeks for our employees, preserving staff who had security clearances and who needed to be able to get back to work once the shutdown ended. It brings tears to my eyes when I



think of our employees who saw this strain, and who offered to work without pay, take leaves of absence, and cash out their military pensions to support Citizant in floating payroll so that we could pay other employees. We expended well over 500 hours across our leadership team modeling alternate financial scenarios, negotiating line of credit increases, shutting down vendors and contracts, communicating with our workforce daily, posting on social media daily, and writing our Congressional representatives and the White House daily, pleading for an end to the massacre.

We managed to maintain employee morale during the shutdown, primarily because we chose to absorb the full financial impact, so our employees would not be affected. However, many of our counterparts in the contractor community did not fare as well: many furloughed their employees in the first week of the shutdown. And you all know full well the financial and personal impact that was inflicted on government employees who did not receive a paycheck for more than a month.

I personally was leading a mission-critical data management program at DHS at the time of the shutdown and witnessed firsthand the impact on morale after the shutdown. Civil service employees talked about the financial and emotional impacts of the shutdown for weeks afterward. The phrase I heard so often from government employees at DHS was, "I thought my job mattered." It took 2-3 weeks before these government employees refocused their attention to the status of programs as it was months before, prior to the shutdown. Several key projects came to a grinding halt and have yet to be delivered. In most cases, the restart took anywhere from 30-60 days for government agencies to resume "business as usual." Worst of all, several key leaders departed government service and took leadership positions in industry during the shutdown, and several more left within 60 days of the restart. The



discontent among federal workers and contractors was palpable, as the stability of a government job where the mission matters most became a thing of the past.

I wish I had more time to describe the way this government shutdown affected critical missions that Citizant supports – including reducing immigration court case backlogs and helping the IRS prepare for the tax filing season.

But with my last bit of time, I want to offer three possible actions Congress could take to mitigate the impact of future shutdowns on the federal contractors.

First, to help us preserve our workforce, Congress could pass legislation that would guarantee back pay to contractor employees, most of who are essential to the proper functioning of federal agencies. Many of our employees have security clearances and specialized knowledge that are difficult to replace. Guaranteed back pay would reduce our employees' anxiety and make them more likely to stay in the government contracting industry. In addition, our creditors would be more willing to help us cover payroll and payments to our vendors, if they knew some financial adjustment was forthcoming.

Second, to mitigate the cash flow crisis faced by contractors, Congress could mandate that processing and paying invoices are essential activities that must continue during any future shutdown. This financial function is essential to our nation's economic security, as well as the viability of small businesses and the lives of millions of government contractor employees.

Finally, and by far the most important thing you can do to support federal missions, the contractor community, and our economy would be to craft legislation that makes a shutdown the tool of last resort. Citizens elect you to represent them, to negotiate on their behalf, and to make compromises.



Shutdowns have become weapons of failed negotiations and have eroded our political system. As we have just experienced, they risk the welfare and even the lives of millions of Americans. We require civil discourse, collaboration, and compromise from our elected official in order to reach agreement on important legislative and budgetary matters. Please put an end to this abuse of power and trust.

I am deeply grateful for the opportunity to address the Committee. I am passionate and deeply committed to continuing my support of important government missions. I hope Congress can take action to protect the viability of government contractors during future shutdowns. I will gladly answer any questions you have today or in the future.