

# Factoring Government Receivables- Checkmate

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Factoring Government Receivables- Checkmate explores how to grow your government contracting business exponentially with accounts receivable financing. Various techniques to create a win-win situation are analyzed. {mosbotwordcount}

In the game of chess, the term checkmate, according to MS Encarta means:

- 1) winning chess position: in chess, a condition or position in which a player's king cannot escape check and the other player wins the game.
- 2) Chess move that ends game: in chess, a move that produces checkmate, or a game that ends in checkmate.
- 3) Complete defeat: a situation of defeat or deadlock.

{bot\_wrgoogle}As used in this article the analogy of the game of chess is meant to convey two different ideas: A) the idea that the government, and the government contract you are competing for, is the king. You and your competitors are in a real life game to win the contract. A checkmate is a complete defeat of your competitors; and B) the word "mate" is commonly used to refer to a skilled person's worker, friend, as a term to address somebody. The idea is if you want to win the government contract it is wise to check (mate) and recheck (mate) the government specifications, and last but not least, have the financing in place pay for the labor and material required to deliver the product or services required.

Here is a real life example: The owner of a factory manufactured plastic and cloth protection cups for construction workers that were designed to protect elbows and knees from harm. The Federal Government announced a Request for Proposals for the manufacture of protective elbow pads and knee pads for the armed forces that were very similar to the owner's product. With minor modifications to the design specifications for the pads the factory was capable of making the military products.

There were two major problems. The quantity of pads required to meet the performance specifications would require the factory to triple production and run three shifts twenty four hours a day. Since the government would not pay for the product for 30 to 60 days after receipt and inspection, how could the owner have sufficient cash flow to pay for labor and materials immediately at a level three times above the current cash flow?

The solution was to factor the government receivables to a commercial finance company. Pursuant to the Assignment of Claims Act of 1986 companies can have access to unlimited capital by selling individual invoices based on the credit of the U.S. government. Factoring government invoices allowed the company to be paid in days rather than to wait months. The contract to factor government receivables to a commercial finance company helps your company win a government Request for Proposal because it substantiates the functional specification that the work will be performed on a timely basis. In other words, a commercial financing contract helps to prove that the manufacturer has the financial wherewithal to perform on a timely basis. This is the financial part of how to checkmate your competitors.

A typical finance company contract should state: ABC finance company agrees to purchase obligations of which are of the United States of America, including without limitation the General Services Administration, the Departments of Education, and the Obligor: is (a) the United States of America or an executive, legislative, judicial, regulatory or administrative agency, authority or instrumentality, Health and Human Services, Housing and Urban Development, and Transportation, or (b) a State, or (c) local government entity.

Here are a few tips on how to check "mate" and make sure you get paid after you have won the contract. Pay close attention to administrative and billing instructions. Always submit your invoice to the stated paying government office and invoice promptly. If there are modifications, work with the commercial finance company for funding increases if necessary or if there are changes in payment instructions. Keep a log of all communications. Maintain complete records of the entire project. Use the governments order number for tracking for all parties, your company, the finance company and the ordering government agency. Be aware that the US government fiscal year is from October 1st through the end of September.

The bottom line: if you want your business to grow exponentially and win in the game of government contracting it may be wise to factor government receivables to checkmate your competition.

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