

California Food Distributor Settles False Claims Act Liability Relating to Self-Disclosure of Small Business Contracting Violations

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GS Foods Group Inc. (GS Foods), headquartered in Ontario, California, has agreed to pay \$949,696.90 to resolve False Claims Act liability in connection with bidding on contracts reserved for small businesses when GS Foods did not qualify as a small business. The contracts involved supplying food to facilities operated by the Federal Bureau of Prisons and U.S. Immigrations and Customs Enforcement. In connection with the settlement, the United States acknowledged that GS Foods took significant steps entitling it to credit for cooperating with the government.

“Businesses that participate in federal small business contracting programs must ensure that they comply with applicable rules and regulations relating to eligibility,” said Acting Assistant Attorney General Brett A. Shumate of the Justice Department’s Civil Division. “When businesses run afoul of small business contracting requirements, they can mitigate the consequences by making timely self-disclosures, cooperating with investigations, and taking appropriate remedial measures.”

The settlement resolves allegations that, between Oct. 1, 2018 and March 8, 2024, GS Foods did not qualify as a small business because of its affiliation with certain other companies. The United States alleged that subsidiaries of GS Foods, GoodSource Solutions Inc., and Dori Foods Inc., bid on contracts and orders that had been expressly reserved, or set-aside, exclusively for small businesses. As a result, GoodSource Solutions and Dori Foods allegedly obtained contracts for which they were not eligible. GS Foods timely self-reported the conduct to the Department of Justice, Office of Inspector General (DOJ-OIG), and cooperated with the Justice Department’s investigation, including, for example, by identifying key witnesses and documents and making employees available for interviews. The company also took remedial measures, including updating its code of conduct, establishing an Ethics and Compliance Management

Committee, establishing the position of Chief Compliance Officer, and developing and implementing additional employee training.

"It is a disservice to small businesses when contracts that were expressly set aside to create opportunities for small businesses are awarded to ineligible organizations," said Special Agent in Charge Andrew Hartwell of DOJ-OIG, Fraud Detection Office. "The Department of Justice Office of the Inspector General is committed to playing our part to maintain the integrity of small business contracts."

The resolution obtained in this matter was the result of a coordinated effort between the Justice Department's Civil Division, Commercial Litigation Branch, Fraud Section and DOJ-OIG. Fraud Section Senior Trial Counsel Jonathan H. Gold handled the matter.

The claims resolved by the settlement are allegations only and there has been no determination of liability.