



SMALL BUSINESS LIAISON OFFICER (SBLO) TRAINING A GUIDE FOR THE SBLO



Defense Logistics Agency
Defense Energy Support Center

TABLE OF CONTENTS

Chapter 1 Small Business Program – Introduction	2 – 6
Chapter 2 Small Business Liaison Office	7 – 9
Chapter 3 Subcontracting Plans	10 – 14
Chapter 4 DESC Annual Review	15 – 16
Chapter 5 SF294/295 Reporting	17 – 18
Chapter 6 Other Socio-Economic Programs	19 - 20

CHAPTER 1

SMALL BUSINESS PROGRAM – INTRODUCTION

A. Why We Have Small Business Programs

1. Small Business Mobilization Act of 1942. Congress recognized that business concerns operating small plants may not have the “economies of scale” necessary to compete with large plants, and that a price differential might be required to keep such plants mobilized...but only for war efforts.

2. Armed Services Procurement Act of 1947. Congress declared the policy that “A fair proportion of total Federal purchases and contracts be placed with small business concerns.” The intent of Congress was to continue in peacetime the policy, which prompted enactment of the “Small Business Mobilization Act” in 1942.

3. Defense Production Act of 1950. The Korean War provided emphasis for small business. Congress determined that preservation of small business mobilization capability was of utmost importance, and that, again, awards could be made at other than the lowest possible price.

4. Small Business Act of 1953 (Public Laws 83-163 and 85-536). Created the Small Business Administration (SBA) as an independent agency within the Executive Branch. Authorized SBA to make direct and “guaranteed” loans to small businesses. Directed SBA to provide technical and management assistance to small business concerns. Authorized SBA to enter into contracts with Federal Agencies, and then sublet those contracts to minority firms under Section 8(a) of the Act. Directed SBA to assist small businesses in obtaining government contracts. Directed inclusion of small business subcontracting clause in all contracts over \$10,000. Required Federal Agencies to publicize in the Commerce Business Daily (CBD) all procurements over the small purchase threshold and those with subcontract potential.

5. Revision of the Small Business Act of 1978 (Public Law 95-507). Redefined minority firms as Socially and Economically Disadvantaged Small Business Concerns (SDB's). Required Federal Agencies to establish Small Business Goals and explain to Congress when goals were not met. Required small and small disadvantaged business subcontracting goals for major contracts awarded to large businesses. Reserved all awards under \$25,000 for small business. Required establishment of the Office of Small and Disadvantaged Business Utilization. Directors are appointed by Head of Agency.

6. National Defense Authorization Act (Public Law 99-661). Passed in 1987. Established the Small Disadvantaged Business Program and the 5 percent minority owned business goal for awards to prime contractors. Emphasizes contracting with Historically Black Colleges and Universities/Minority Institutions.

7. Federal Acquisition Streamlining Act of 1994 (Public Law 103-355), Section 7106 established a government-wide goal for WOSB concerns of not less than 5 percent of the total value of all prime contract and subcontract awards for each fiscal year.

8. The HUBZone Empowerment (Public Law 103-135). The HUBZone Empowerment Contracting Program, which is included in the Small Business Reauthorization Act of 1997, stimulates economic development and creates jobs in urban and rural communities by providing contracting preferences to small businesses that are located in a Historically Underutilized Business Zone (HUBZone) and that hire employees who live in a HUBZone. The Act required government target increments of 1.0 percent of prime contracts for HUBZone small businesses for FY1999 and not less than 1.5 percent for FY2000, 2 percent for FY2001, and 2.5 percent for FY2002 and 3 percent for FY2003 and each year thereafter.

9. The Veteran's Entrepreneurship and Small Business Development Act of 1999 (Public Law 106-50) established a goal for subcontracts awarded by prime contractors to service-disabled veteran-owned small business concerns of 3 percent. A best effort goal will be established for veteran-owned small businesses shall apply. Individual, master, and comprehensive subcontract plans must incorporate these goals.

10. Current National Policy (FAR 19.201(a)). "It is the policy of the Government to provide maximum practicable opportunities in its acquisitions to small business, veteran-owned small business, service-disabled small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns. Such concerns shall also have the maximum practicable opportunity to participate as subcontractors in contracts awarded by any executive agency, consistent with efficient contract performance.

11. DoD Policy. It is the DoD Policy that a fair proportion of DoD total purchases, contracts, subcontracts and other agreements for property and services, and sales of property be placed with small business concerns, small disadvantaged business concerns, women-owned small business concerns, and historically black colleges and universities and minority institutions in accordance with 10 U.S.C. 2301 and 2323 and 15 USC. 631-650 (references (b) and (c) and other acquisition procedures, policy statements, regulations and DoD Directives.

B. What is a Small Business

1. Definitions in accordance with FAR -- Part 2 and 19.001.

- Concern: Any business entity organized for profit (even if its ownership is in the hands of a nonprofit entity) with a place of business located in the United States and which makes a significant contribution to the U.S. economy through payment of taxes and/or use of American products, material and/or labor, etc. Concern includes, but is not limited to, an individual, partnership, corporation, joint venture, association, or cooperative.

- HUBZone – A historically underutilized business zone, which is in an area located within one or more qualified census tracts, qualified non-metropolitan counties, or lands within the external boundaries of an Indian Reservation.
- Small Business – A concern including its affiliates, that is independently owned and operated, not dominant in the field of operations in which it is bidding on government contracts, and qualified as a small business under the criteria and size standards in 13 CFR Part 121 (See 19.102).
- Small Disadvantaged Business – Has received certification as a small disadvantaged business concern consistent with 13 CFR Part 124, subpart B. The net worth of each individual upon whom the certification is based does not exceed \$750,000 after taking into account the applicable exclusions set forth. It is listed, on the date of its representation, on the register of small disadvantaged business concerns maintained by the Small Business Administration. The firm must be at least 51 percent unconditionally owned by one or more socially and economically disadvantaged individuals; or in the case of any publicly owned business, at least 51 percent of the voting stock is unconditionally owned by one or more socially and economically disadvantaged individuals; and whose management and daily business operations are controlled by one or more such individuals.
- Socially and Economically Disadvantaged Individuals are: Black Americans, Hispanic Americans, Native Americans (American Indians, Eskimos, Aleuts, or Native Hawaiians), Asian Pacific Americans (persons with origins from Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Japan, China (including Hong Kong), Taiwan, Laos, Cambodia (Kampuchea), Vietnam, Korea, The Philippines, U.S. Trust Territory of the Pacific Islands (Republic of Palau), Republic of the Marshall Islands, Federated States of Micronesia, the Commonwealth of the Northern Marina Islands, Guam, Samoa, Macao, Fiji, Tonga, Kiribati, Tuvalu, or Nauru), Subcontinent Asian Americans (persons from origins from India, Pakistan, Bangladesh, Sri Lanka, Bhutan, the Maldives Islands or Nepal) and other groups designated from time to time by SBA.
- Economically Disadvantaged individuals are socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to the diminished capital and credit opportunities as compared to other in the same or similar line of business that are not socially disadvantaged.
- Socially Disadvantaged Individuals are those who have been subjected to ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.

- Service-disabled veteran-owned small business is a concern where not less than 51 percent of which is owned by one or more service-disabled veterans or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more service-disabled veterans; and the management and daily business operations of which are controlled by one or more service-disabled veterans or, in the case of a veteran with permanent and severe disability, the spouse or permanent caregiver of such veteran.
- Veteran-owned small business concern means a small business is a concern where not less than 51 percent of which is owned by one or more veterans (as defined at 38 U.S.C. 101(2)) or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more veterans; and the management and daily business operations of which are controlled by one or more veterans.
- Women-Owned Small Business (FAR 19.001) – Is at least 51 percent owned by one or more women, or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women; and whose management and daily business operations are controlled by one or more women. DoD does not consider women-owned businesses as disadvantaged.
 - The Department of Transportation, Department of Energy, US Agency for International Development and NASA are mandated by Congress, however, to include all women-owned businesses in their disadvantaged business goals.
 - The Federal Acquisition Streamlining Act of 1994 established a government-wide procurement goal of 5 percent of total contract awards to WOSB.

2. Small Businesses. Who are they? What do They Do?

- Represent 99.7 percent of all employers.
- Employ half of all private sector employees.
- Pay 44.3 percent of total U.S. private payroll.
- Generate 60 to 80 percent of net new jobs annually.
- Create more than 50 percent of nonfarm private gross domestic product.
- Supplied 22.8 percent of the total value of federal prime contracts (about \$50 billion) in FY 2001.

- Produce 13 to 14 times more patents per employee than large patenting firms. These patents are twice as likely as large firm patents to be among the one percent most cited.
- Are employers of 39 percent of high tech workers (such as scientists, engineers, and computer workers).
- Are 53 percent home-based and 3 percent franchises.
- Made up 97 percent of all identified exporters and produced 29 percent of the known export value in FY 2001.
- Inventions by Small Business: Air-conditioning, Airplane, Assembly Line, Bakelite, CAT Scanner, Computer, Heart Valve, Hydraulic Brake, Inertial Guidance, Insulin, Optical Scanner, personal Computer, Polaroid Camera, Soft Contact Lenses.

Sources: U.S. Bureau of the Census; Advocacy-funded research by Joel Popkin and Company (Research Summary #211); Federal Procurement Data System; Advocacy-funded research by CHI Research, Inc. (Research Summary #225); Bureau of Labor Statistics, Current Population Survey; U.S. Department of Commerce, International Trade Administration.

C. The Javits-Wagner-O'Day (JWOD) Program is a public-private partnership that provides services and products to the federal government and prime contractors. Community Rehabilitation Programs (CRPs) that employ people who are blind or have other severe disabilities are a priority source and can be credited toward your small business performance goals. People with disabilities are performing work in 427 different job categories. For information and brochures contact:

The Committee for Purchase From People Who Are Blind or Severely Disabled
 1421 Jefferson Davis Highway
 Jefferson Plaza 2, Suite 10800
 Arlington, VA 22202-3259
 (703) 603-7740
 E-Mail: info@jwod.gov

D. North American Industry Classification (NAICS) (FAR 19.102) - NAICS codes were developed for use in the classification of establishments by type of industry in which they are engaged (product or service). Typically, if a commodity or end item is being purchased, the size standard is based on the number of employees in the firm. If a service or construction is being purchased, the size standard is based on the firm's average annual receipts for the preceding three fiscal years.

Information regarding NAICS can be found at
<http://www.census.gov/epcd/www/naics.html>

CHAPTER 2

SMALL BUSINESS LIAISON OFFICER

A. Appointment - The Small Business Liaison (SBLO) should have a letter of appointment defining their responsibilities. As a normal business practice, the SBLO should be appointed at an appropriate level of authority within the organization that has influence over all subcontracting activities, and should be at a level that can effectively implement the overall SB program and assure maximum opportunities are afforded to those entities outlined in the company policy statement. The SBLO should report directly to the CEO or senior level management.

NOTE: The DESC Director of Small Business should be notified when a new SBLO is appointed.

B. The SBLO is responsible for the entire program for their organization. The SBLO should have direct involvement in the formulation of a subcontracting plan with the Government or Company. (Chapter 3 details the requirements of subcontracting plan requirements.) After Contract award, the DESC Small Business Office Program Manager shall provide the SBLO with a copy of the contract, appropriate small business program clauses, and the approved incorporated subcontracting plan. Duties of the SBLO should be defined in the subcontracting plan -- some of those duties should include:

- (1) Develop local procedures.
- (2) Develop source lists, guides to identify suppliers. Use of Central Contractor Registration (CCR) Dynamic Small Business Search, Procurement Technical Assistance Centers (PTACs), SBA, and other sources to develop a supplier base.
- (3) Ensure supplier base is being updated and continuous efforts are being made to locate, utilize and develop SB, SDB, WOSB, VOSB, SDVOSB, and HUBZone vendors (including HBCU/MI's, NIB/NISH Sheltered Workshops).
- (4) Attend and sponsor procurement conferences.
- (5) Brief Management and other personnel involved in the Supplier Chain Management (i.e., Buyers, Engineers, and Quality Assurance. Management, etc.) on the SB program.
- (6) Conduct training for all personnel involved in the subcontracting effort.
- (7) Completion of Standard Form (SF) 294/295 semi-annually (See Chapter 5 for in depth discussion).
- (8) Use of Sub-Net (SBA's program- <http://web.sba.gov/subnet/>)
- (9) Networking with industry SBLOs, PTACs and SBA.

C. Monitoring performance - It is important to review and understand the content of the Subcontracting Plan – it is your company's contractual commitment to the Government or another prime contractor to fulfill the requirements of FAR 52.219-9. The contract

could also include incentive clauses, which are separate and distinct from your subcontracting goals.

- (1) FAR 52.226-1. "Utilization of Indian Organizations and Indian Owned Economic Enterprises." The Indian Incentive Program provides for a payment to prime contractors of 5 percent of the amount subcontracted to an Indian organization or Indian-owned economic enterprise.
- (2) FAR 52.219-26. Small Disadvantaged Business Participation Program – Incentive Subcontracting for specific parameters. Monetary incentives shall be based on actual achievement as compared to proposed monetary targets for SDB subcontracting. The incentive subcontracting program is separate and distinct from the establishment, monitoring and enforcement of SDB subcontracting goals in a subcontracting plan. This is an incentive to encourage increased subcontracting in the NAICS Sectors and will be reported at the end of the contract via the Optional Form (OF) 312 attached to the final SF294.
- (3) FAR 52.219-10, "Incentive Subcontracting Program." Monetary incentive from 0-10 percent, which encourages the development of, increased subcontracting opportunities based on actual achievement for small, small disadvantaged, women-owned, veteran-owned, service disabled veteran-owned, and HUBZone small businesses.
- (4) FAR 52.219-16, "Liquidated Damages – Subcontracting Plan." Failure to comply with a subcontracting plan is considered a material breach of the contract and could result in the imposition of liquidated damages be paid by the contractor.

It is important to be proactive and monitor performance goals for the entire life of the subcontracting cycle. Your successful performance of the contract small business goals could affect your companies' success if the small business criteria are a condition of the source selection process, and past performance.

Under Secretary of defense, E.C. Aldridge Jr., in a letter dated Oct 22, 2001 challenged all agencies to assist DoD to achieve all of the small business program goals negotiated with the Small Business Administration:

<u>Prime Contracting</u>	
	<u>FY 03/04</u>
• Small Business	23.0%
• Service-disabled veteran-owned small business	3.0%
• HUBZone	3.0%
• Small Disadvantaged Business	5.0%
• Women-owned Small Business	5.0%

SubContracting

FY 03 /04

- | | |
|-------------------------------------------------|-------|
| • Small Business | 40.0% |
| • Service-disabled veteran-owned small business | 3.0% |
| • HUBZone | 3.0% |
| • Small Disadvantaged Business | 5.0% |
| • Women-owned Small Business | 5.0% |

The DESC Small Business Office provides performance data to Contracting Officers when evaluating the Subcontracting Plans prior to contract award (the intention is to provide 5-year trend data maintained on the contractor's overall performance). In addition, at contract completion, the Contracting Officer is provided a copy of the results of your individual contract performance.

Monitoring your program from every aspect is extremely important. Current trends are to reduce the size of the supplier base and maintain long-term relationships. It is incumbent upon you to ensure that small business concerns have an opportunity to compete over a period of time. Therefore, a continuous search for these business entities must be ongoing.

CHAPTER 3

SUBCONTRACTING PLANS

A. Types of Subcontracting Plans

1. Individual Subcontracting Plan (FAR 19.704(c)) - A separate plan for each contract over \$500,000 or \$1,000,000 for construction.
2. Master Subcontracting Plan (FAR 19.704(b)) - Incorporated by the contractor's cognizant contract administration office, a master subcontracting plan is established on a plant or division-wide basis. It contains all the elements required except goals. Separate goals for SB, VOSB, SDVOSB, HUBZone, SDB and WOSB are submitted for each contract for which a master subcontracting plan is used. Master plans are effective for a 3-year period after approval by the Administrative Contracting Officer. It is incumbent upon contractors to maintain and update master plans. A master plan, when incorporated in an individual plan, shall apply to that contract throughout the life of the contract.
3. Commercial Subcontracting Plan (FAR 19.704(d)) - A commercial plan (as defined in FAR 19.701) is the preferred type of subcontracting plan for contractors furnishing commercial items. The commercial plan is submitted to the first Contracting Officer awarding a contract subject to the plan during the contractor's fiscal year, or, if the contractor has ongoing contracts with commercial plans, to the Contracting Officer responsible for the contract with the latest completion date. The approved commercial plan shall remain in effect during the contractor's fiscal year for all Government contracts in effect during that period.
4. Comprehensive Subcontracting Plan (DFARS 219.702(a)) - DoD is currently conducting a test program to determine whether a comprehensive subcontracting plan on a corporate, division, or plant-wide basis will increase subcontracting opportunities for small business concerns. The test is being conducted from October 1, 1990 through September 30, 2005. No incentive clauses are applicable during the period of the test program.
 - Eligible contractors are large business concerns at the major (total) corporate level that, during the preceding fiscal year:
 - a. Were performing under at least three DoD Contracts, and were paid \$5 million or more for the contracts,
 - b. Achieved a small disadvantaged business goal of 5 percent or more during the preceding year.
 - Comprehensive subcontracting plans are:
 - a. Negotiated on an annual basis by the designated contracting activities.

- b. Incorporated into all of the contractors' active DoD contracts, which require a plan.
 - c. Used by all DoD Contracting Officers in contracts which require a plan awarded contractors during the test period; and
 - d. Not subject to application of the liquidated damages during the period of the test program.
- B. A subcontracting plan shall include the following as prescribed in FAR 19.704(a) and in accordance with the clause at FAR 52.219-9(d) (January 2002):
- (1) Separate goals, expressed in terms of percentages of total planned subcontracting dollars, for the use of small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns as subcontractors. The offeror shall include all subcontracts that contribute to contract performance, and may include a proportionate share of products and services that are normally allocated as indirect costs.
 - (2) A statement of -- Total dollars planned to be subcontracted for an individual contract plan; or total projected sales, expressed in dollars, and the total value of projected subcontracts to support the sales for a commercial plan; Total dollars planned to be subcontracted to small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business concerns and women-owned small business concerns.
 - (3) A description of the principal types of supplies and services to be subcontracted, and an identification of the types planned for subcontracting to -- Small business, Veteran-owned small business, Service-disabled veteran-owned small business, HUBZone small business, Small disadvantaged business, and Women-owned small business concerns.
 - (4) A description of the method used to develop the subcontracting goals in paragraph (d)(1) of this clause.
 - (5) A description of the method used to identify potential sources for solicitation purposes (*e.g.*, existing company source lists, the Central Contract Registration's (CCR) Dynamic Small Business Search, veterans service organizations, the National Minority Purchasing Council Vendor Information Service, the Research and Information Division of the Minority Business Development Agency in the Department of Commerce, or small, HUBZone, small disadvantaged, and women-owned small business trade associations). A firm may rely on the information contained in CCR's Dynamic Small Business Search as an accurate representation of a concern's size and ownership characteristics for the purposes of maintaining a small, veteran-

owned small, service-disabled veteran-owned small, HUBZone small, small disadvantaged, and women-owned small business source list. Use of CCR's Dynamic Small Business Search as its source list does not relieve a firm of its responsibilities (e.g., outreach, assistance, counseling, or publicizing subcontracting opportunities) in this clause.

- (6) A statement as to whether or not the offeror included indirect costs in establishing subcontracting goals, and a description of the method used to determine the proportionate share of indirect costs to be incurred with -- Small business, Veteran-owned small business, Service-disabled veteran-owned small business, HUBZone small business, Small disadvantaged business, and Women-owned small business concerns.
- (7) The name of the individual employed by the offeror who will administer the offeror's subcontracting program, and a description of the duties of the individual.
- (8) A description of the efforts the offeror will make to assure that small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns have an equitable opportunity to compete for subcontracts.
- (9) Assurances that the offeror will include the clause of this contract entitled "Utilization of Small Business Concerns" in all subcontracts that offer further subcontracting opportunities, and that the offeror will require all subcontractors (except small business concerns) that receive subcontracts in excess of \$500,000 (\$1,000,000 for construction of any public facility) to adopt a plan similar to the plan that complies with the requirements of this clause.
- (10) Assurances that the offeror will –
 - (i) Cooperate in any studies or surveys as may be required;
 - (ii) Submit periodic reports so that the Government can determine the extent of compliance by the offeror with the subcontracting plan;
 - (iii) Submit SF294, Subcontracting Report for Individual Contracts, and/or SF295, Summary Subcontract Report, in accordance with the paragraph (j) of this clause. The reports shall provide information on subcontract awards to small business concerns, veteran-owned small business concerns, service-disabled veteran-owned small business concerns, HUBZone small business concerns, small disadvantaged business concerns, women-owned small business concerns, and Historically Black Colleges and Universities and Minority Institutions. Reporting shall be in

accordance with the instructions on the forms or as provided in agency regulations.

- (iv) Ensure that its subcontractors agree to submit SF 294 and 295.
- (11) A description of the types of records that will be maintained concerning procedures that have been adopted to comply with the requirements and goals in the plan, including establishing source lists; and a description of the offeror's efforts to locate small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns and award subcontracts to them. The records shall include at least the following (on a plant-wide or company-wide basis, unless otherwise indicated):
- (i) Source lists, guides, and other data that identify small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns.
 - (ii) Organizations contacted in an attempt to locate sources that are small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, or women-owned small business concerns.
 - (iii) Records on each subcontract solicitation resulting in an award of more than \$100,000, indicating -- Whether small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, or women-owned small business concerns were solicited and if not, why not; and If applicable, the reason award was not made to a small business concern.
 - (iv) Records of any outreach efforts to contact -- Trade associations; Business development organizations; Conferences and trade fairs to locate small, HUBZone small, small disadvantaged, and women-owned small business sources; and Veterans service organizations.
 - (v) Records of internal guidance and encouragement provided to buyers through -- Workshops, seminars, training, etc., and Monitoring performance to evaluate compliance with the program's requirements.
 - (vi) On a contract-by-contract basis, records to support award data submitted by the offeror to the Government, including the name, address, and business size of each subcontractor. Contractors having commercial plans need not comply with this requirement.

(C) In order to effectively implement this plan to the extent consistent with efficient contract performance, the Contractor shall perform the following functions:

- (1) Assist small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation by such concerns. Where the Contractor's lists of potential small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business subcontractors are excessively long, reasonable effort shall be made to give all such small business concerns an opportunity to compete over a period of time.
- (2) Provide adequate and timely consideration of the potentialities of small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns in all "make-or-buy" decisions.
- (3) Counsel and discuss subcontracting opportunities with representatives of small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business firms.
- (4) Provide notice to subcontractors concerning penalties and remedies for misrepresentations of business status as small, veteran-owned small business, HUBZone small, small disadvantaged or women-owned small business for the purpose of obtaining a subcontract that is to be included as part or all of a goal contained in the Contractor's subcontracting plan.

CHAPTER 4

DESC ANNUAL REVIEW

The DESC Small Business Office representative will conduct an annual review – **they are not audits**. The surveillance review outline is via the DLA Form 640, “Review of Contractor’s Subcontracting Program”.

Prior to the review, it is recommended that you prepare by going over all of the elements of DLA Form 640. For planning purposes, your documentation should be ready at the time of the review. This includes the Purchase Orders that have been requested by the Small Business Specialist. Some elements of the review process will be ongoing throughout the year where data has been collected. For example, DLA Form 640, Part II, 4, requests documented successes in locating, utilizing, and developing new SB/SDB/WOSB/sources; documented examples of counseling, management, technical and financial assistance provided to suppliers; and documented examples of mentoring, teaming and development SB/SDB/WOSB suppliers. This is an ongoing process, which involves all personnel involved in the supplier process. It is recommended that you request continuous input/feedback/reporting from these individuals so that you have the information readily available.

At the completion of the review, it is requested that an exit briefing be scheduled with the CEO/President or senior management.

A program rating will be assigned as a result of the review. There are five categories of performance ratings; the following criteria are provided in determining the rating assigned.

Outstanding/Highly Successful: In addition to meeting all of the elements for the rating of Acceptable, the contractor must have taken significant extra contractual effort to assist, promote and utilize SB, SDB, WOSB, HUBZone Veteran-Owned, and Service Disabled Veteran-Owned Small businesses in its program. The contractor must be an active participant and have demonstrated a record of success in one or more optional socio-economic programs and/or initiatives such as, but not limited to, the Mentor-Protégé Program, Indian Incentive Program, HBCU/MI, Javits-Wagner-O’Day Program (subcontracting to nonprofit agencies that are affiliated with National Industries for the Blind (NIB) or NISH).

Acceptable: An acceptable level indicates that the contractor is meeting the contractual requirement of DFARS and FAR 52.219-8 and 52.219-9. An acceptable rating is given when the contractor meets the contractual requirements, meets or exceeds the plan goal objectives or has demonstrated efforts in achieving the plan and overall goal objectives, has complied with the reporting requirements, and has complied with all other features of the subcontracting plan. An acceptable rating may be given to a contractor that was previously rated marginal or unsatisfactory and has corrected

noted deficiencies. When determining the acceptability of a contractor's program, the subcontracting performance is the primary factor and should be given more weight.

Marginal: A program review determined by the specialist to have at least one but not more than three deficiencies should be considered Marginal. A marginal rating is given when the contractor is not meeting contractual requirements of DFARS and FAR 52.219-8 and FAR 52.219-9 or any feature of the subcontracting plan requirement. A marginal rating is kept in effect until such time as all deficiencies are corrected. A follow-up review will be scheduled.

Unsatisfactory: A program review determined by the specialist to have more than three deficiencies should be considered unsatisfactory. An unsatisfactory rating is given when the contractor is not meeting contractual requirements of DFARS and FAR 52.219-8 and 52.219-9, any feature of the subcontracting plan requirement, or has not developed a corrective action plan or made efforts to implement a corrective plan as agreed to previously in writing. An unsatisfactory rating is kept in effect until such time as all deficiencies are corrected. A follow-up review will be scheduled. If the unsatisfactory performance results from a lack of good faith effort to comply with the terms of the subcontracting plan, the contractor should be considered for recommendation of liquidated damages to the PCO/ACO.

The Contracting Officer will be furnished a copy of the DESC-DU Review.

CHAPTER 5

STANDARD FORM (SF) 294/295 REPORTING AND OPTIONAL FORM (OF) 312

A. Both SF294, "Subcontracting Report for Individual Contracts," and SF295, "Summary Subcontract Report," reports are due semiannually for those contractors who are reporting under individual and master subcontracting plans. Contractors who are in the comprehensive subcontracting program report semiannually via the SF295. Contractors under commercial plans report via the SF295 annually, at the end of the Government's fiscal year. The performance data is based on the Government's fiscal year between October 1 through September 30. Mid year reports are due 30 days after the first reporting period of March 30, which is April 30. DESC Small Business Subcontracting Program Manager (janel.m.Thompson@dla.mil) will request the form(s) 5 days prior to end of reporting period to facilitate the review for accuracy and input of the data into the Pentagon's DIOR System. End of the year reports are due 30 days after the end of the fiscal year, which is September 30. Once again, the DESC Program Manager will request the form(s) 5 days prior to end of reporting period to facilitate the review process and data input.

(1) The SF295 is a report of your entire small business program. The data collected should include all contracts with DESC, large and small dollar as well as indirect dollars. The report is completed semiannually and reports on your overall performance of DESC contracts. The DESC Program Manager inputs the data into the Pentagon's DIOR Database. Information collected by that process is then provided to the Small Business Administration, Congress and the White House. You may access this data by internet: <http://web1.whs.osd.mil>, go to Procurement then access Companies Participating in the DoD Subcontracting Program (P14).

(2) The SF294 is a report for your individual contract; data is cumulative during the life of your program. At the end of contract performance, the final data is sent to the DESC Program Manager as a performance record. This information will be provided to the appropriate DESC Contracting Officer.

- **Timeliness and accuracy of the reports is critical.** These reports are deliverables under contract, and as such, should be a product you want to deliver to the customer.

B. Optional Form 312, "Small Disadvantaged Business (SDB) Participation Report" - There are two reasons for the requirement of OF312:

(1) First, if a contract contains either of the SDB Participation mechanisms -- the Evaluation Factor for SDB Participation or the Monetary Subcontracting Incentive -- the contracting officer needs a way to determine at contract completion that the contractor met its SDB target in the authorized North American Industrial Classification System (NAICS) Sectors (2-digit NAICS codes). The SF294, *Subcontracting Report for Individual Contracts*, does not contain this information,

so the Government has provided an OF312 to provide it. The OF312 does not have to be submitted semiannually, as does the SF294; rather, it is submitted only once, at contract completion.

- (2) The second reason for the new reporting requirements is to provide a way for the Government to collect comprehensive subcontracting data by two-digit NAICS code. This information will enable the Dept. of Commerce to fine-tune its industry benchmarks in subcontracting. It will be accomplished by requiring all Government contractors that normally submit the SF 295, *Summary Subcontract Report*, to include a breakout of subcontract awards to SDBs by two-digit NAICS code.

NOTE: Effective OCT 1, 2000, FAR Clause 52.219-9, under Paragraph (j)(2), SF 295 Reporting, changed to read as follows: "All reports submitted at the close of each fiscal year (both individual and commercial plans) shall include a breakout, in the Contractor's format, of subcontract awards, in whole dollars, to small disadvantaged business concerns by North American Industry Classification System (NAICS) Industry Subsector. For a commercial plan, the Contractor may obtain from each of its subcontractors a predominant NAICS Industry Subsector and report all awards to that subcontractor under its predominant NAICS Industry Subsector."

This is not to be confused with the reporting under FAR 52.219-25 wherein the OF 312 is to be used with the SF 294 when that clause is invoked into the contract.

Common mistakes on the forms:

- Block 2: Wrong or incomplete DUNS Number
- Block 6: Administering Activity. If the report is for DESC, mark other and put DESC.
- Block 7 of the SF294: Report on both subcontract number, if applicable, and appropriate contract number.
- Block 8 of the SF294: Use the most recent address and street number for the Buying Activity.
- Ensure your data is cumulative on an annual basis for the SF295 and for the life of the contract for the SF294.
- Check the numbers to make sure they are correct.

NOTE: The above forms SF294/295 and OF312 can be accessed through the GSA website listed below.

<http://www.gsa.gov/Portal/gsa/ep/formslibrary.do>

CHAPTER 6 OTHER SOCIO-ECONOMIC PROGRAMS

A. Pilot Mentor-Protégé Program (DFARS 219.71).

Public Law 101-510, the National Defense Authorization Act of 1991, as amended, established the Pilot Mentor-Protégé.

The program provides incentives to major prime contractors (mentors) to assist small disadvantaged businesses (SDB) firms (proteges) in enhancing their technical and business capabilities. These enhanced capabilities will hopefully lead to increased SDB participation as subcontractors in federal and commercial contracts and will foster the establishment of long-term business relationships.

Firms are eligible to be mentors if they are currently performing a contract with an approved subcontracting plan and are currently eligible for the award of federal contracts. Firms are eligible to be proteges if they are SDB firms certified by SBA and qualifying organization that employ the severely disabled.

Mentors and Proteges are required to execute a formal agreement that sets forth the type of developmental assistance that will be provided to the protégé.

Program extended for FY2000 – Agreements may be entered into through September 30, 2002 – Costs incurred prior to September 30, 2005 are eligible for reimbursement or credit or a combination of both.

Term shall be no longer than three years or up to five years with SECDEF approval. Reimbursement will be via contract modification (or separate contract with SECDEF approval). The Air Force now issues a Broad Agency Announcement (BAA) twice a year, which asks for proposals that focus on specific thrust areas in specific NAICS Codes. Proposals are evaluated on a return on investment. An Air Force contract is not required to use the BAA. The Army has implemented an 8(a) pilot program that encourages senior or graduating 8(a) firms to become Mentors to new 8(a) firms. The Navy's approach is linked to a specific program or contract currently being performed by the Mentor and allows the Mentor to apply for reimbursement.

Contractors are encouraged to get involved in the Mentor-Protégé Program. It is highly recommended to consider the credit method (or both credit and reimbursement) if it has been difficult to achieve a 5 percent SDB goal.

Further information can be obtained through the following websites:

http://www.acq.osd.mil/sadbu/mentor_protégé/index.html

<http://www.brooks.af.mil/HSC/BC/MP/>

B. Historically Black Colleges and Universities and Minority Institutions (DFARS 252.219-7003)

HBCU's are accredited institutions of higher education established prior to 1964 with a principal mission of educating African Americans.

Minority Institutions were developed to identify institutions, in addition to HBCUs, having significant minority enrollments. Designated minority groups include African Americans, Native Americans, Hispanic Americans, Asian Americans, and Pacific Islanders.

DoD is very much interested in seeing more activity from the Government offices and prime contractors this fiscal year. For additional information, visit the website at <http://www.acq.osd.mil> The Air Force has developed a site that highlights the capabilities of HBCU/MI's at USAF Interactive Electronic Mall <http://www.brooks.af.mil/HSC/BC/MP/> Other sites are FEDIX <http://www.rams-fie.com> and MOLIS <http://www.sciencewise.com/molis>

DESC also encourages you to locate sources for subcontracting to HBCUs and MI's.

C. Indian Incentive Program (FAR 26.101, 52.226-1)

The Indian Incentive Program provides an incentive to prime contractors that use Indian Organizations and Indian-owned Economic Enterprises as subcontractors. The program allows for an incentive payment equal to 5 percent of the amount paid to a subcontractor in performing the contract, if it is authorized by the contract.

Definitions:

- "Indian organization means the governing body of any Indian tribe or entity established or recognized the governing body of an Indian tribe."
- "Indian-owned economic enterprise means any Indian-owned (as determined by the Secretary of the Interior) commercial, industrial, or business activity established or organized for the purpose of profit, provided that Indian ownership shall constitute not less than 51 percent of the enterprise."

Directory of Indian-Owned Businesses

- The National Center for American Indian Enterprise Development

11138 Valley Mall, Suite 200
El Monte, CA 91731

Tel. 626-442-3701
Fax. 626-442-7115

Website: <http://www.ncaied.org>

We also encourage you to utilize Indian-owned businesses in your subcontracting. There has been a lot of development for these business entities within the past few years.