

OSDBU UPDATE

Volume 99

Issue 8

Edited by Ilene Waggoner

Notes from Scott

By Scott Denniston, Director, OSDBU

It's difficult to write this month's column. In other years, October has brought relief from the frantic fourth quarter activity of closing one year and preparing for the next. While this year, we again look forward to beginning new programs, establishing new partnerships and enhancing existing relationships, it's been hard to concentrate on getting this fiscal year underway. Earlier this month, the Federal small business community lost two strong advocates - Sherra Berutto of our office, a tenacious fighter for Native American business opportunities; and Dietra Ford, Director of GSA's Office of Enterprise Development, a nationally recognized champion for all small businesses, and a leader who was particularly effective in making gains for women-owned small businesses throughout GSA.

In this month's issue, we highlight efforts at subcontracting program improvements. We also feature an article on enforcing the Limitations on Subcontracting requirements that are applicable now to small business set-asides, 8(a) awards, and some HUB Zone and SDB awards. We're starting a new feature this month that will periodically update you on implementation of the new Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50).

In closing, I'd like to congratulate the VISN 15 Contracting Center for their recent award from the Small Business Administration.

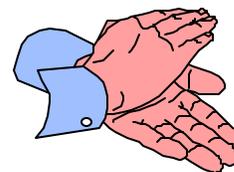
REMEMBER!



Small Business Builds America

SBA Recognizes VA Heartland Network with 1999 MED Week Award

In a public ceremony on October 14, the Small Business Administration District Office in Wichita, and the Kansas Minority Business Development Council, announced the 1999 Minority Enterprise Development Week award recipients. **VA's Heartland Network 15 Contracting Activity** received the 1999 Corporate Award - Public Sector for their contributions to minority enterprise development. Their nomination noted that VISN 15 awarded 47% of their procurements to small businesses, exceeding VA's department-wide goal of 40%. They awarded 11.96% of their procurements to the 8(a) Program, again exceeding VA's goal. In all, 14.94% of their procurements went to small disadvantaged businesses and 13% of their procurements went to women-owned small businesses. This well-justified recognition reflects the commitment of all VA staff within the VISN to supporting small business programs. We especially want to congratulate Ms. **Patricia Crosetti**, Network Director, Mr. **Frank Gilbert**, HCA, and Mr. **Marcus Clayton**, Network Small Business Specialist, for your leadership and drive to receive this award.



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VA Hosts Interagency OSDBU Directors' Council Meeting

On October 20th, VA's Office of Small and Disadvantaged Business Utilization hosted a public meeting in which the Federal OSDBU Directors, representatives of trade associations, prime contractors, small businesses and other Government officials exchanged suggestions and opinions about the state of small business programs. This was a lively, well attended meeting which drew more than 60 participants, including the Administrator of the Office of Federal Procurement Policy, the Honorable Diedre Lee.

Topics of discussion included what type of changes are needed in Federal small business programs, how to best communicate the changes to vendors and the Federal communities, and when and how to train public and private parties in Federal small business programs. The participants also learned of the recent efforts by the Council's subcommittees on Legislation, Outreach, Small Business Administration and the Procurement Executives' Council. Murray Schooner of Unisys offered a prime contractor's perspective on the difficulties created by the new SDB subcontractor certification requirement. He said that companies must now maintain two reporting systems, one for awards before October 1, 1999, and the second for later awards. Also, not all SDB companies are currently certified which presents a dilemma to a large prime - to continue a strategic alliance with a SDB concern but get no credit or replace the firm with a certified SDB whose price or performance may not be as acceptable. Ms. Deidre Lee addressed her support for fostering increased communications between the Procurement Executives and the OSDBU Directors. Scott Denniston presented Federal procurement data trends for the past six years showing that dollars to the small business community are fairly constant while actions have decreased by almost 50 percent. This results in fewer opportunities for small start-ups, a concern for long range economic impact upon our neighborhoods.



Subcontracting Program Improvements

VA-DOC Information Exchange Program: The Directors, OSDBU, at VA and Commerce have agreed to exchange information on their individual Department's efforts at improving subcontracting programs. The Director, OSDBU, at Commerce is a former VA contracting officer and small business specialist, Mr. T. J. Garcia. On October 22, as part of this exchange program, VA's Deputy Director, OSDBU, participated in an industry meeting hosted by DOC which focused on information systems corporations,

seeking their input as to what changes should be made to Federal programs. The concerns expressed by both industry and government representatives in that meeting may serve as a baseline for VA's new working group on this topic. Here's some of the discussion:

What can the DOC or the Federal Government do to help you with your subcontracting programs?

- Make it easier to substitute subcontractors.
- Lengthen the filing period for SF 295 reports from 30 days to 45 days.
- Expand the use of incentives for using SBCs, SDBs, HUBs, etc..
- Educate contracting officers and program officials about how to use incentives.
 - *Negotiate* the Plans.
 - Enforce Plan Accomplishments.
 - Improve Proposal Evaluations of Small Business Accomplishments.
 - Be consistent across Federal Government in the importance of the subcontracting program requirements.
 - Get your top people pushing the program.

Corporate Questions for Government:

- What do you do with the data we give you?
- Why isn't there a single organization to certify small businesses?
- Who in Federal Government is lobbying Congress about the impact of all the small business program legislation recently passed?
- Why does the Minority Business Development Agency (MBDA) have a separate contractor database than the SBA?
- Why does MBDA have a reporting system that is different than the SF 294/295s
- Do we need to continue using both the SF 294 AND the SF 295?
- If we can file our taxes on-line, why can't we file our subcontract data on-line?
- Can we get access to comparative data so we can see how our accomplishment numbers match up with other businesses?
- What emphasis is the Government placing on small business set-asides?
- Why don't small businesses need to report their subcontracting accomplishments with other small businesses?

VA Working Group on Subcontracting Improvements: As previously reported in the July 1999 OSDBU Update and on the July OA&MM Conference call, VA's Procurement Executive, Mr. Gary Krump, and VA's Director, OSDBU, have agreed to convene a working group to study VA's subcontracting program. Their initial agreement was reinforced by their October 13th meeting on this topic. The working group will address whether additional policy would help VA and contractor personnel, examine reporting systems and use of data

and identify available training resources or recommend development of new training. Mr. Jim Dunning has been designated as the principal OSDBU representative on this group. He will be assisted by Ms. Lynette Simmons. Representatives from OA&MM, VHA's Logistics Office and the Veterans Benefits Administration are being considered for the core working group



Disabled Business Enterprise Outreach Efforts

Congratulations to the Disabled Businesspersons Association (DBA) and the U.S. Small Business Administration, San Diego District Office! The DBA and the SBA have recently executed a Memorandum of Understanding designating the first Wednesday of each month, beginning in September 1, 1999, as "Disabled Businesspersons Association Day" at the SBA District Office in San Diego, CA. We understand this is the first SBA office in the nation to take this leadership initiative. Jointly, SBA and DBA representatives will provide information on SBA lending programs, procurement opportunities, and technical management with enterprising individuals with disabilities and with vocational rehabilitation counselors. DBA representatives will also actively participate in SBA education programs to raise awareness among the business and government communities of the unique needs and challenges facing small business owners who have a disability. If you would like to learn more about the program, give us a call and we'll get you more details. We encourage all VA offices to partner VHA, VBA and local SBA resources to develop their own local programs.

SBA's Veterans Business Outreach Program: On September 30, the SBA announced that 4 organizations have received grants arising from section 708 of the Small Business Reauthorization Act of 1997 to assist disabled veteran-owned enterprises. The four locations are responsible for about 55% of the nation's 12 million veterans. Called "Veteran Business Outreach Centers (VBOCs)," these organizations will provide technical assistance to service disabled veterans including: pre-business workshops; concept assessments which analyze the veteran's needs to determine if the entrepreneurial development plan will result in financial success and long term sustainability of the enterprise; comprehensive business feasibility assessment to include pre-qualification loan packaging and analysis; entrepreneurial training and mentorship.

The 4 VBOCs are:

University of Texas, Pan American,
Edinburg, TX
POC is Brett Mann (956) 381-3361
Region: TX; OK; AR; LA; NM

TEP Consulting, Herndon, VA
POC is Timothy Proctor (703) 707-0931
Region: VA; DC; MD; PA; DE; WV

University of West Florida, Lynn Haven, FL
POC is Angela Partin (850) 271-1108
Region: FL; NC; SC; GA; AL; MS; TN; KY

Research Foundation of the State University of New York, Albany, NY
POC is Mike Ross (518) 443-5398
Region: NY; NJ; Puerto Rico; Virgin Islands

VA's Director, OSDBU, Meets with Members of the House Small Business and Veterans Affairs Committee: On October 5, VA OSDBU and VA's Office of Congressional Affairs representatives met with staffers from the House Veterans Affairs and House Small Business Committees to discuss VA's plans to implement P.L. 106-50. The staffers are meeting with SBA, VA and the Department of Labor individually to ensure that the timelines of this law are identified and fully supported. Later, joint meetings will be held. At this time, we are waiting for the appointments of the Advisory Committee members and the Board of Directors of the new National Veterans Business Development Corporation. Those appointments are expected soon. If you want a copy of the law, it is available from <http://www.sba.gov/VETS>.



Veterans' Small Businesses To Get Federal Help

By Deborah Van Dover

On August 17th, President Bill Clinton signed the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50), to help veterans, particularly the disabled, develop small businesses. The law also includes measures to lessen the impact on small businesses when owners or essential employees are reservists who are ordered to active duty.

The new law will help veteran-owned businesses obtain technical, financial and procurement assistance. The bill establishes a 3 percent federal procurement goal for service-disabled veteran businesses. SBA is

developing a case to submit to the Federal Acquisition Council to add a service-disabled veteran-owned representation to the FAR.

The law also establishes a federally chartered National Veterans Business Development Corporation to help veterans form and expand small businesses. This corporation is to be fully self-sustaining by 2004. It further establishes an Advisory Committee on Veterans business affairs. The Committee members will serve as an independent source of advice and policy recommendations to the Small Business Administration, Congress, the President, and other U.S. policy makers. The VA, Labor Department and Small Business Administration will work together to help veterans establish and maintain small businesses. VA will identify veteran businesses and notify them of what federal assistance is available to them through the Small Business Administration.



Limitations on Subcontracting

By Gail Wegner

Why are we doing this article?

In the July 1st, OSDDBU Directors' Council, SBA Working Group meeting, limitations on subcontracting was one of the key discussion topics. SBA has an interest in how agencies are monitoring this requirement now that the 8(a) MOUs are in place. Several agencies indicated that their Offices of Inspector General had also expressed interest in how contracting officers are ensuring that small businesses perform their required portion of work on set-aside and 8(a) actions. Given this level of interest, we in VA need to ensure we are ready to respond to any call for information on this small business program requirement.

Who is effected?

- (1) Small Businesses Receiving Awards from Small Business Set-Asides for Actions Exceeding \$100,000
- (2) 8(a) Contractors for all dollar actions
- (3) HUB Zone Certified Businesses Receiving Awards After Application of the Price Evaluation Preference
- (4) SDB Concerns Receiving Awards After Application of the Price Evaluation Adjustment

What is required of contractors?

FAR 52.219-14, Limitations on Subcontracting, applies to small business set-asides and 8(a) awards. It states that in service contracts, at least 50% of the cost of contract performance incurred for personnel shall be expended for employees of the (prime) concern. In supplies (other than non-manufacturers), the prime shall perform at least 50 percent of the cost of

manufacturing the supplies, not including the cost of the materials. In General Construction, the prime will perform at least 15 percent of the cost of the contract, excluding the cost of materials, with its own employees. For special trade contractors, this figure is at least 25 percent.

FAR 52.219-23(d), Notice of Price Evaluation Adjustment for Small Disadvantaged Business Concerns, places identical requirements for companies that receive awards as the result of the PEA application in a Full and Open Competition.

FAR 52.219-4(d), Notice of Price Evaluation Preference for HUB Zone Small Business Concerns, places identical requirements for companies that receive awards as the result of the PEP application in a Full and Open Competition.

FAR 52.212-5, Contract Terms and Conditions Required to Implement Statutes or Executive Orders - Commercial Items, must be marked to include FAR 52.219-14, 52.219-23(d) and/or 52.219-4(d) when appropriate.

When does the contractor report this information?

The FAR does not require the contractor to report this information. It then becomes the contracting officer's responsibility to determine how to monitor and enforce this requirement.

Where does the contracting officer report this information?

Again, there is no FAR requirement for reporting. We recommend the contracting officer include the final Limitation on Subcontracting assessment in the contractor's performance evaluation.

Why do we need this?

The Limitation on Subcontracting clause enhances business development opportunities for 8(a) and other small businesses by requiring specific percentages of Federal contracts to be performed by the company. This requirement promotes both technical and management development in the business. The other thing it does is to minimize criticism of small businesses as "front" or "pass through" organizations. Interestingly, there is no similar limitation on subcontracting requirement for large businesses who receive awards in full and open competition. We have reviewed some subcontracting plans in OSDDBU in which the large prime contractor is subbing more than 95% of the requirement. One area to be studied in the FAR 19 rewrite is whether this requirement should continue. For example, in today's information systems market, it is common for service requirements to be performed with teams of providers. Meeting a 50% in-house performance requirement may, in fact, drive vendors away from submitting offers on a requirement. This is the most common reason for a HUB or an SDB

vendor to waive the benefit of a PEP/PEA adjustment in a full and open competition, to bypass the requirement for significant in-house performance, a requirement to which the large business competitors are not subject.

How am I supposed to enforce this?

"As best you can" is the first thing that comes to mind. Absent a formal reporting requirement, the CO should, in the course of normal contract administration, be alert to this requirement, and, if she or he suspects the prime contractor may not be in compliance, raise the question with the contractor. In negotiated requirements, the CO has the benefit of reviewing price proposals, which will provide information as to what is being subcontracted. This is what the SBA Business Opportunity Specialists did before each 8(a) award. Now, that responsibility has shifted to the awarding contracting officer. In construction, the CO has the benefit of payroll review. We welcome submissions from our contracting community on this topic to identify "best practices."



Market Research: The New ARNet

By Jim Dunning

The Acquisition Reform website (ARNet) has long been a valuable repository for acquisition related information. Now it has been totally redesigned to make it easier to use. Located at <http://www.arnet.gov>, the opening page is divided with a "table of contents" on the left and current updates and news on the right. The new sections were designed to conform more to the different stages of the acquisition process than the old arrangement. First up is the "Notes from the Administrator" section where Deidre Lee gets to make her pitch. Next comes the FAR followed by the Virtual Library and a section for Federal Business Opportunities. That is followed by Professional Development and Open Forum sections. Last, and maybe least, is a section on Committees and Councils.

Since our emphasis here is on acquisition itself we'll go to the Virtual Library. It is divided into eight sections entitled:

- Pre Solicitation
- Solicitation
- Award
- Contract Administration
- Laws
- Policies
- Forms
- Regulations
- and my favorite, Everything Else.

Under Pre Solicitation we have sections on Points of Entry (CBD & EPS), Vendor Research, SIC information, FSS Codes, EPA's List of Designated Items and RMAN guidelines, Market Research, Electronic Catalogs for JWOD/NIB/NISH, Unicor, GSA/DLA/etc., and GWACs (Government-wide Agency Contracts). The solicitation section has information on SBA PCRs (a truly dying breed) and several wage determination sites. Under awards we have links to the debarred list, Treasury's list of approved sureties, and FPDS. Contract administration provides links to DCAA, as well as decisions by GAO and the various boards of contract appeals.

Laws, policies, forms, and regulations sections are as their names imply. Everything Else contains links to a federal telephone directory, government search engines, and various publications (Government Computer News, Federal Contracts Report, National Contract Manager Journal, etc.).

All in all it makes a wonderful reference site for contracting personnel as well as vendors hoping to understand federal procurement and locate opportunities.

Federal Acquisition Institute (FAI) Releases Small Business Program Toolkit

On October 20th, Gayle Messick of the FAI electronically distributed the official small business programs toolkit, developed by the Small Business Program Working Group chartered by the Procurement Executives' Council. You'll recall we had previously released a draft version for your review on August 11. Now that it is final, the toolkit will be incorporated into FAI's Procurement Planning course. We've attached it to this [Update](#) for your use.

COMMENTS?



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SBA Recognizes VA HUB Zone Support

In early October, local SBA officials sponsored a public ceremony in Tucson to celebrate the award of a \$2.3M contract to Sun Belt Builders. The company, a HUB Zone concern, received the award in a full and open competition after the contracting officer applied the Price Evaluation Preference. Later the Tucson contracting activity made an additional award of \$463K to Sun Belt under HUB-8(a) provisions. We congratulate Sun Belt, Ron Bednarz, the VISN Logistics Representative and the Head of the Contracting Activity, and Jim Waterman the Small Business Specialist on this achievement. The HUB Zone Program fosters community development, through stimulating investment in the local economy. It's great to see local recognition of VA efforts to help small businesses.



In Memoriam Sherra Berutto (1947-1999)

Sherra Berutto passed away unexpectedly on October 6th. Her legacy to each of us in VA is - lead a fun, full life. Talk about a multi-talented, multi-faceted individual. Sherra had numerous and very diverse interests. As a result, it was truly enjoyable coming to work because you never knew what stories she'd be sharing that day.

Sherra's first job was a soda jerk (any job's a good job). Later she was the Director of the Junior Miss Pageant - that required diplomatic skills! She also

worked at a title company. Sherra began her Federal career in 1969 as a secretary with the Defense Department in Fort Huachuca. She joined VA in 1976 in Prescott, AZ, where she held a succession of increasingly responsible positions. During this period, she reported that she was most proud of her volunteer work - organizing and running in the Cancer "Superstars" event for 5 consecutive years. Always active, she developed a passion for competitive tennis and a lifelong commitment to enjoying the great outdoors through hiking and camping (although recently in the comforts of recreational vehicles!). She spoke so highly of the Prescott community that, someday, I must visit there - just to see the roots that nurtured such a special individual. She maintained a residence there and planned to retire to Prescott in just a few years.

Answering the need for dedicated procurement professionals in VA headquarters, Sherra moved to Washington, D.C. to join the Office of Small and Disadvantaged Business in March 1995. We're sure glad she did. While she never really cared for "big city" life, she embraced small business advocacy. In this capacity, she vigorously represented the small business community's interests in dealing with contracting and program personnel, examining all contract opportunities to ensure small business set-asides were identified where reasonable and doggedly reviewing FPDS and subcontracting reports to ensure every dollar was accurately reported. She volunteered to be VA's Native American Business Outreach Coordinator, gaining a respected reputation among tribal leaders and government associates in other agencies for her well-disciplined approach to promoting Indian businesses. Proud of her Native American heritage, Sherra's home, office and personal style reflected her background.

She lived her life with ethics, reverence, joy and energy. She raised her daughter, Wendy, in this spirit. Sherra's gift to those of us who worked with her is "lighten up, but fight like hell when you need to." Sherra's gift to the world is Wendy.

Gail Wegner

**COMING NEXT MONTH
VETERANS BUSINESS ISSUES**

