

# OSDBU UPDATE

VA OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION / APRIL 2002

## NOTES FROM SCOTT



Spring has sprung and OSDBU is now entering its busiest season of the year. On April 23, 2002, VA participated in the 12<sup>th</sup> Annual OSDBU Director's Procurement Conference at the Show Place Arena,

Upper Marlboro, MD. This national conference is held annually to foster business partnerships between the Federal Government, prime contractors, small, small disadvantaged, veteran-owned, service-disabled veteran-owned, HUBZone and woman-owned business concerns. There were over 300 exhibit booths from a wide range of Federal agencies and both large and small businesses. Approximately 2,300 people attended the conference. VA was well represented at this year's conference, with representatives from the Office of Acquisition and Materiel Management, the Veterans Benefits Administration and VISN 5, the Capitol Health Care Network, providing one-on-one counseling and supporting VA's OSDBU. Based on feedback received during and subsequent to the conference, VA provided vital and timely information to the conferees in assisting with their VA marketing efforts and in understanding VA operations and acquisition opportunities. I want to extend my personal thanks to VA's acquisition and logistics professionals whose participation helped make this conference such a success: Darrell Cooper, OA&MM; Rodney Alexander and Dianne Thompson, VBA; Kaiser Braham, Steve Robinson and Dan Zelasko, VISN 5; Craig Niedermeier, VHA CIOFO, Birmingham, AL; and our own

Ramsey Alexander, Jr., Jim Jackson, Ilene Waggoner and Wayne Simpson. Special thanks go to Ilene Waggoner who served so very ably as VA's representative on the conference's planning committee.

May 5<sup>th</sup> – 11<sup>th</sup> is National Small Business Week. During National Small Business Week, the 35<sup>th</sup> Annual Industry & SBA Procurement Conference, Training & Business Opportunity Expo will be held at the Renaissance Hotel, Washington, DC. OSDBU and several program offices are set to participate in this conference, serving on panels and providing one-on-one counseling. We hope that you will find an appropriate way at the local level to celebrate National Small Business Week. Small businesses need our support now, more than ever. Remember, **Small Business Builds America!**

The aforementioned conferences are two excellent examples of Government outreach. Outreach and access are essential elements in the Small Business Improvement Plans submitted by the various organizations in response to the Secretary's call for these plans last December. These plans are now an annual requirement. The plans recognize small business needs access to decision makers and program officials, just like large business. Outreach, such as attending small business conferences, holding vendor days or other activities that proactively reach out to the small business community contribute greatly to the involvement of these businesses in Federal acquisitions.

Have a great summer everyone!



**Scott Denniston**  
Director

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## SDB SET-ASIDE MAY BE REVISITED

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By Ilene Waggoner, Senior Procurement Analyst

If the Chairman and Ranking Member of the Senate Committee on Small Business and Entrepreneurship have their way, the moratorium on Small Disadvantaged Business (SDB) Set-Asides may be revisited by SBA.

In a joint April 12, 2002, letter to SBA Administrator Hector Barreto, Chairman John Kerry (MA) and Ranking Member Christopher S. "Kit" Bond (MO), told Administrator Barreto that when SDB Set-Asides were suspended by the Clinton Administration as the result of the Supreme Court's 1995 Adarand Decision, it was with the understanding that if SDB participation in Federal contracting declined, the suspension would be revisited. Since suspension of SDB Set-Asides, the percentage of contracting dollars awarded to non-8(a) SDB firms by major Federal agencies declined by 32 percent. While stopping short of recommending SDB Set-Asides be reinstated, the senators asked SBA to "revisit the issue."

In Fiscal Year 2000, the last full-year with available figures, SDBs received only 3.6 percent of Federal contract dollars, well below the 5 percent statutory goal established by Congress. 8(a) firms received only 2.88 percent of total contract dollars. There is no statutory goal for 8(a) acquisitions.

SDB Set-Asides are considered by many as a good transition program for graduating 8(a) firms. Since 8(a) firms are considered SDB by virtue of law, a new set-aside for SDBs would increase opportunities for 8(a) firms as well.

The senators also pointed out many acquisition reforms enacted in recent years have come at the expense of SDBs. For example, application of the price evaluation preference for SDBs has been substantially limited because of "best value" criteria used to make contract awards.

OSDBU will continue to follow this issue and report further as events warrant.

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## VA ELEVATOR MAINTENANCE ACQUISITION MAKES "WATCH LIST"

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By Wayne Simpson  
Deputy Director / Small Business Programs

On Thursday, April 25, 2002, U.S. House of Representatives Small Business Committee Ranking Democratic Member Nydia M. Velázquez (NY), released a watch list highlighting the top 10 major Government contracts that squeeze small business in the Federal procurement process. The list comes from a report prepared by Congresswoman Velázquez and Democratic members of the Committee, "Federal Contract Watch List: How Big Contracts Hurt Small Businesses."

VA joined the Department of Agriculture and the U.S. Postal Service as the only civilian Departments to make the top 10 list. Seven of the list's top ten acquisitions to watch belong to the Defense Department. VA's watch list acquisition covers a bundling of elevator maintenance services in Arkansas, Louisiana, Oklahoma and Mississippi.

Congresswoman Velázquez has consistently taken aim at bundling that often makes it more difficult for smaller firms with fewer resources than big business, to bid and compete effectively on Federal contracts. According to Congresswoman Velázquez,

"Federal agencies now take many contracts that small businesses once performed well, and wrap them up into one big contract that only large corporations can bid on and perform." Page 11 of the report covering the VA acquisition is included below for your ease of reference. The full report may be accessed at the following Internet

URL address:  
[www.house.gov/smbiz/democrats/contractreport.pdf](http://www.house.gov/smbiz/democrats/contractreport.pdf)

**U.S. Department of Veterans Affairs  
Elevator Maintenance -\$2.3 million  
Arkansas, Louisiana, Oklahoma &  
Mississippi**

The Department of Veterans Affairs in Arkansas had an elevator maintenance contract that was handled at the local level



and used the services of small business. Five years ago, this contract, valued at \$2.3 million, was regionalized to cover 8 locations in four states. The contract locations are: North Little Rock/Little Rock, AR; Fayetteville, AR; Oklahoma City, OK; New Orleans, LA; Alexandria, LA; Biloxi, MS; Jackson, MS; and Muskogee, OK.

While small businesses were previously awarded all individual locations under separate smaller contracts from October 1, 1997 through September 30, 2000, small business subcontractors only received \$76,800.19. Then, through this consolidation, eight small business prime contractors were displaced.

Now, the contract will come up for renewal in September 2002. At this time, attempts will be made to break the contract into smaller pieces or find a small business that might have the resources, staff and finances to perform the consolidated contract.

Once again, this type of move by a federal agency - expanding a contract to cover several geographic regions -- puts the contract out of reach for many small businesses. Such a regionalized contract often requires that small businesses establish offices in all states covered by the contract. Clearly, with an elevator maintenance contract, a small business would need to localize operations and maintenance services so that they could comply with the terms of the contract and make repairs in a matter of hours.

It is also not feasible - both for financial and logistical reasons - for a small business to open offices in several states for a single contract. Most small businesses are hesitant to add offices unless they have several contracts in these areas to cover the expenses and overhead associated with the opening and operation of several new offices.

Federal agencies increasingly justify contract consolidations through a reduction in administrative costs. However, the regulations are clear that a reduction in administrative costs alone, is not a sufficient reason for bundling contracts and omitting

small business from performing work on these contracts.

One critical outcome of the Veterans Affairs' decision to consolidate this contract is the fate of the displaced small businesses. As subcontracting to small businesses only accounted for \$76,800.19 from October 1997 through September 2000, it is clear there is minimal, if any, participation by previous small business prime contractors. There is no requirement that agencies track whether small business prime contractors are used as subcontractors once they are displaced.

This contract bundle highlights both the use by agencies of disparate locations to consolidate contracts, and the questions surrounding what happens to displaced small business prime contractors.

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## SMALL BUSINESS COMMITTEE MOVES LEGISLATION

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*By Jim Jackson, Senior Procurement Analyst*

The U.S. House of Representatives Committee on Small Business unanimously voted April 17, 2002, to report H.R. 2867, "The Small Business Opportunity Enhancement Act of 2001." The bill now moves to the full House for consideration and may be voted on as early as the week of May 6<sup>th</sup>.



If enacted, H.R. 2867 will enhance SBA's position in challenging unsound contract bundling procedures within Federal agencies by amending the Small Business Act to require the SBA Administrator to submit disagreements between SBA and procurement agencies on matters relating to certain awards or contracts to the Director, Office of Management and Budget (OMB). The OMB Director will render decisions regarding such matters no later than ten days after receiving them.

The bill also establishes a minimum 60-day period for submission of offers from small

business concerns for a bundled contract that is issued by a Federal agency.

H.R. 2867 was introduced September 6, 2001, by Congresswoman Nydia M. Velázquez (NY), the Committee's Ranking Member. The Committee's Chairman, Congressman Donald A. Manzullo (IL), is a cosponsor of the bill. Congresswoman Velázquez said the bill "will help small businesses get their fair share of Federal contracts by increasing SBA's power to dismantle large contracts," and by "giving small businesses more time to partner up and bid."

H.R. 4231, "The Small Business Advocacy Improvement Act of 2002," was also unanimously voted out of Committee. This bill would strengthen SBA's Office of Advocacy so it can more effectively and independently protect small businesses from unnecessary Federal regulations by making the Office of Advocacy a protected line item in the President's budget. The legislation also authorizes a larger budget for the Office of Advocacy to hire more staff. Chairman Manzullo, the bill's sponsor, noted President Bush called for a stronger Office of Advocacy in March 2002 when he unveiled his Agenda for Small Business.

The Committee also unanimously voted to report S. 174, "The Microloan Program Improvement Act of 2001," to give small businesses more opportunities to participate in SBA's Microloan Program, by removing a set aside up to \$1 million for microloan trade organizations.

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## LOCATING SMALL BUSINESSES

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*By Jim Dunning, Senior Procurement Analyst*

Earlier this month I had the pleasure of visiting Portland, Oregon. Not to visit the medical center, unfortunately, but to appear before the SBA RegFair Roundtable. The RegFair Roundtables are a part of SBA's efforts under the Small Business Regulatory Enforcement Fairness Act (<http://www.sba.gov/ombudsman/>). I was attending because a local Portland business was scheduled to speak about their frustrations concerning VA's refusal to set-

aside procurements for veteran-owned businesses. My role was to explain why, much as we would like to, we legally cannot do it, and encourage the local VA contracting activity to work with this company in their effort to secure some business with Federal agencies.

SBA supplied me with the name of the company, owner, and phone number. Simple, just call and talk with them. After calling and leaving voice messages that were never returned, I turned to PRO-Net. I couldn't find the company in PRO-Net after searching by NAICS, Congressional District, Standard Metropolitan Area Code, name, etc.

Next step was to AT&T's AnyWho ([www.anywho.com](http://www.anywho.com)) website and their Reverse Telephone Listings capability. I entered the phone number and got their Portland address. With the address in hand I went to the Oregon and Western Washington Better Business Bureaus ([www.thebbb.org](http://www.thebbb.org)) online report site. That provided me with the company web site and a copy of the company's reliability report. Going to their web site I found out some of their recent clients and projects. I felt that at least I was now prepared to speak with them about how VA might be able to use their capabilities, including some information from the Center for Veterans Enterprise ([www.vetbiz.gov](http://www.vetbiz.gov)) on their rights under the Veterans Entrepreneurship and Small Business Development Act.

After flying cross country, post September 11<sup>th</sup>, with stainless steel implants I arrived to find clear skies and beautiful weather. Traveling to the hotel I could see the funny mountain without a top in the distance (Mt. St. Helens). I understand I picked the two clear days in a month to visit. While the company never appeared at the meeting, the point I want to make is that with a little diligence and effort it is possible to find small businesses in your areas, even when they don't appear in PRO-Net.

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## VA'S FPDS COORDINATOR RECOGNIZED

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*By Ilene Waggoner, Senior Procurement Analyst*

Lisa Russell, VA's FPDS Coordinator, was recently recognized with a Special Contribution Award from the Federal Procurement Data Center (FPDC), for the technical support and assistance she provides to FPDC.



*Grafton Biglow, Chief, Customer Liaison Branch, FPDC (r), presents Lisa Russell (l) with a check for her Special Contribution. Congratulations Lisa!*

Grafton Biglow, Chief of the Customer Liaison Branch, FPDC, came to VA Headquarters to present Ms. Russell with the award. In presenting the award, Mr. Biglow noted that this award represented the first time in the FPDC's 24-year history that an award was presented to someone not employed by the FPDC.

Biglow said that Ms. Russell's extensive experience as a contracting officer gives her additional perspective on issues confronting the FPDC, and Ms. Russell is an excellent resource to the FPDC staff.

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## SMALL BUSINESS COMPETITIVENESS DEMONSTRATION PROGRAM

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*By Lisa Russell, Senior Procurement Analyst*

The title contains the words "small business". The coverage for the program is located in Federal Acquisition Regulation Part 19, Small Business Programs. Taken at face value,

this implies that the Small Business Competitiveness Demonstration Program – or "Demo Program" – is intended to assist small businesses. However, that is not the way that the Demo Program actually works for the Designated Industry Groups (DIGs), and it is easier to understand the implementation of the program if you abandon the idea that it exists to assist small businesses.

The Demo Program requires that Contracting Officers use full and open competition solicitation procedures for requirements for the DIGs (construction, architect-engineer services, nonnuclear ship repair, and refuse systems and related services) when the estimated amount of award exceeds \$50,000 for A-E services and \$25,000 for the remaining three. Small business set-asides are generally not permitted by law for these acquisitions. At amounts less than that, Contracting Officers are required to set-aside the acquisition as an emerging small business reserve (ESBR) award for participation by emerging small businesses. An emerging small business is one half the size standard of a small business. For example, if the size standard for A-E services is \$4 million, then the emerging small business size standard is \$2 million.

The Demo Program is theoretically a test to see if small businesses can compete on equal footing with large businesses for acquisitions that exceed the ESBR amount. There is an established minimum goal for small business participation. At the time the Demo Program was established, VA was required to identify discrete buying offices comprised of several contracting activities. The minimum goal applies to the agency, but when the VA as an agency falls below the minimum goal, small business set-asides are re-instated for the discrete buying office that caused VA to fall below the minimum – they are not re-instated for the entire agency. VA had four Regions at the time the Demo Program was implemented, rather than the 22 VISNs, and chose to establish four of the discrete buying offices based on Region geography, plus one for the National Acquisition Center and one for Central Office contracting activities.

All awards for the DIGs are required to be reported into the Federal Procurement Data System (FPDS) as an Individual Contract Action Report, regardless of dollar amount. Once a year the responsible official in the Office of Small and Disadvantaged Business Utilization (OSDBU) reviews two reports extracted from FPDS - one report for the agency as a whole that shows the percentage of small business awards of each North American Industry Classification System (NAICS) code or Product/Service Code (PSC) and the second report that shows these same percentages but by the discrete buying groups. When the review of the small business percentages for the agency indicates that the small business awards fell below the minimum percentage, the responsible official in OSDBU then reviews the discrete buying groups in order to determine which group caused the agency as a whole to fall below the minimum for that particular NAICS Code or PSC. Small business set-asides are then re-instated for only that particular NAICS code or PSC and for only that discrete buying office that fell below the minimum for that code. A chart is published within three months after the end of the fiscal year that identifies the discrete buying office and the NAICS code or PSC for that office in which small business set- asides must be used. If the NAICS code or PSC is not shown for that discrete buying office, then the Contracting Officer must use full and open competition solicitation procedures.

It is important to remember, though, that any requirement that would normally use full and open competition or the re-instated small business set-asides must first be considered for the Small Business Administration's Section 8(a) Program or the Historically Underutilized Business Zone (HUBZone) Program. Use caution when acquiring A-E services, as the Brooks Act requires that the Contracting Officer consider three sources, meaning there is no such thing as a sole source acquisition for A-E services.

The Demo Program is covered under FAR 19.10, Small Business Competitiveness Demonstration Program. This subpart of the FAR is not particularly enlightening. Perhaps

the authors knew that this was not truly a program designed to benefit small businesses.

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## FPDS "OPPORTUNITIES"

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*By Lisa Russell, Senior Procurement Analyst*

Each Fiscal Year, VA Contracting Officers report approximately 25,000 original Individual Contract Action Reports (ICARs) into the Federal Procurement Data System (FPDS). VA Contracting Officers also report approximately 600 Summary of Contract Action Reports (SOCARs) of actions of \$25,000 or less into FPDS.

Each ICAR has 58 data elements, some of which have multiple characters. Each SOCAR has 69 data elements.

58 ICAR data elements  
X 25,000 ICARs

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**1,450,000 opportunities**

69 SOCAR data elements  
X 600 SOCARs

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**41,400 opportunities**

Total number of opportunities = **1,491,400**

What kinds of opportunities are these? They are opportunities for providing correct data and opportunities for making errors. The overwhelming amount of data reported is correct. However, if one looks at that total of 1,491,400 opportunities and calculates even a 0.5% error rate, which would be a phenomenally wonderful error rate, the number of actual errors is:

1,491,400 opportunities  
X 0.5% error rate

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**74,570 errors**

Even a spectacularly low error rate can produce a staggering number of errors. It makes it a bit better that not all errors are equal in the amount of pain they can inflict.

If the dollar amount on an ICAR is truncated to the nearest thousand but not rounded up or down to the nearest thousand, then the worst that happens is that the amount reported is off by \$1k, a statistically

insignificant amount. However, if it is not truncated to the nearest thousand, then the result is statistically quite significant. An award for \$101k that is reported as \$101000 instead of \$101 becomes one hundred one million dollars, not one hundred one thousand dollars.

Casual selection of a product/service code when reporting chaplain services can result in the appearance of VA procuring guided missiles from a church, an entity unlikely to be in the business of selling guided missiles.

Making a typographical error in the selection of the type of contractor can result in our largest pharmaceutical contractor being reported as a small business, or our predominate blood supplier being reported as a small disadvantaged business when it is actually a nonprofit organization.

If an award reported for ABC Construction uses the DUNS number for XYZ Pharmaceutical, when we are requested to provide addresses for our construction contractors and bounce the DUNS numbers against the Dun & Bradstreet file to extract those addresses, the name and address for ABC Construction will be the one on the file for XYZ Pharmaceutical, making the recipient of the report wonder why we are procuring construction services from a pharmaceutical company. Providing good DUNS numbers, however, is an activity at which VA Contracting Officers excel. Approximately 3 to 4 years ago the Federal Procurement Data Center at General Services Administration performed a quality check on DUNS numbers by matching the first three letters of the contractor name on each FPDS report with

the first three letters of the contractor name pulled from the DUNS file using the DUNS number on the FPDS report. At the time this quality check was performed, VA had approximately 15,000 ICARs on file. There were only 44 questionable DUNS numbers, making our error rate approximately 0.3%. Other agencies with only a few hundred ICARs had up to a 50% error rate. Most of the other agencies were retrieving vendor information, including the DUNS number, from a vendor file in a more automated fashion than VA does, yet produced a much greater number of errors than our reports with human intervention.

These errors may sound amusing or unbelievable, but each one happened, although the report with the guided missile belonged to another agency.

In 1999 when the Small Business Administration began using FPDS reports to measure each agency's socioeconomic accomplishments, a lot of other entities "discovered" FPDS. This "discovery" resulted in an increased use of your FPDS reports. For example, FPDS data was used by a prominent newspaper to analyze the impact of outsourcing by the Federal government. One agency has its FPDS data scrutinized by Congress at budget time. Each report that a VA Contracting Officer submits provides that Contracting Officer with the opportunity to provide accurate data on what actually happened with his or her acquisition. In this era of electronic information, timely and accurate reporting has become more important than ever.



May 7, 2002  
CelebrAsian 2002 Conference  
Sheraton New York Hotel & Towers  
New York City, New York  
For More Information:  
(202) 296-5221



May 6-8, 2002  
National Procurement Opportunities  
Conference & Trade Show  
Alexis Park Resort  
Las Vegas, Nevada  
For More Information:  
(847) 294-7274



May 6-8, 2002  
Virginia Business Opportunity Fair  
Richmond, Virginia  
For More Information  
(757)-823-8674



May 10, 2002  
SBA Industry Day  
Renaissance Hotel  
Washington, DC  
For More Information  
(301)-468-6008 Ext. 424



May 17, 2002  
6<sup>th</sup> Annual Procurement Conference  
Congressman Jim Moran  
& George Mason University  
Arlington, Virginia  
For More Information  
(703)-277-7706



May 19, 2002  
DOE 3<sup>rd</sup> Annual Small Business Conference  
Orlando World Center Marriott  
Orlando, Florida  
For More information  
[www.smallbusiness-outreach.doe.gov/annual](http://www.smallbusiness-outreach.doe.gov/annual)



May 20, 2002  
Congresswoman Connie Morella  
Small Business Forum  
Gaithersburg, Maryland  
For More Information  
(202)-225-5341



May 23-25, 2002  
Asian American Women Procurement  
Conference  
Bethesda, Maryland  
For More Information  
<http://www.cydera.com/hosting/conferences/NIH>



May 28-30, 2002  
Teaming to Win Conference  
Mountaineer Gaming Resort  
**Chester, West Virginia**  
For more information  
[www.teamingtowin.org](http://www.teamingtowin.org)



May 30, 2002  
Rep. Ike Skelton Procurement Conference  
Central Missouri State University  
Warrensburg, Missouri  
For more information  
(573)-882-8058



Small & Minority Business Expo & Job Fair  
Indian River Community College  
Fort Pierce, Florida  
For More Information  
(772)-595-9999



June 4, 2002  
2002 Procurement Conference  
Sequoia Conference Center  
Buena Park, California  
For more information  
[osakis@gte.com](mailto:osakis@gte.com)



June 19-20, 2002  
NWBOC's Annual Procurement Fair  
Salt Palace  
Salt Lake City, Utah  
For more information  
[Jlange1019@aol.com](mailto:Jlange1019@aol.com)



August 7, 2002  
Congressman Jim Turner  
Procurement Conference  
Expo 2002  
Angelina College Procurement  
Assistance Center  
Lufkin, Texas  
For More Information  
(936)-633-5432



**REMEMBER!!**

OSDBU can provide you with handout  
information such as diskettes or brochures.  
Please contact Ilene Waggoner at  
(202) 565-8127 or  
[ilene.waggoner@mail.va.gov](mailto:ilene.waggoner@mail.va.gov)  
if you would like items sent to you.

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## YOUR OSDBU TEAM

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