

OSDBU UPDATE

VA OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION / December 2001

NOTES FROM SCOTT



(Courtesy of Smithsonian Institution)

Seasons Greetings from everyone here in OSDBU and the Center for Veterans Enterprise! It is hard to believe that 2001 has come and gone so quickly, a year that has so profoundly affected America and our lives forever. I recently received an e-mail containing the words of an unknown author describing how this Christmas will be different than last Christmas. I would like to share some of those words here with you.

- Last Christmas some people were thinking about all of the things they didn't have; this Christmas they are thinking about all of the things they do have.
- Last Christmas some people were placing wreaths on the doors of their homes; this Christmas some are placing wreaths on the graves of our heroes.
- Last Christmas some people were counting their money; this Christmas some are counting their blessings.
- Last Christmas some people were lighting candles to decorate; this Christmas many of us light candles to commemorate.
- Last Christmas some people were singing carols; this Christmas many are singing anthems.
- Last Christmas some people thought that a man who could rush down a football field was a hero; this Christmas people know a man that rushes into a burning building is the real hero.
- Last Christmas many of us thought about the madness of the holidays; this Christmas lots of us are thinking about the meaning of them.
- Last Christmas we thought angels were in heaven; this Christmas we know they are right here on earth.
- Last Christmas peace on earth was something that many of us prayed for on our day of worship; this Christmas it is something we pray for everyday.

- Last Christmas many of the people we idolized wore sports uniforms; this Christmas the people we idolize wear police, firefighter and military uniforms.

As we celebrate the holidays, we must be mindful of the men and women who stand post across the country and around the world, protecting our freedom, keeping the peace, sacrificing their youth so that liberty may grow old. Blessed are the peacekeepers and our heroes. We cannot forget those who sacrificed their lives in our war on terrorism, nor can we forget their families at this special time of the year.

From all of us here, we wish you and your family a very Merry Christmas and best wishes for a happy, healthy and prosperous new year. Thanks again to everyone for your efforts on behalf of small business in 2001.



Scott Denniston

Director

FPDS For Fiscal Year 2002

By Lisa Russell, Senior Procurement Analyst

The FY 2002 Individual Contract Action Report (ICAR) forms and instructions were distributed in November, 2001. Fortunately, the former Item 19, Tariff or Regulated, was removed from the reporting requirements. Unfortunately, it was replaced with two reporting elements addressing the use of Environmental Protection Agency products and specific Federal Acquisition Regulation clauses and certifications. The reporting element for the clauses and certifications is easy. The use of EPA products is a bit more difficult. Knowing the discussions that went into this new reporting element may help with the coding of the element.

The committee responsible for proposing FPDS reporting requirements was fully aware that this particular element would be difficult to report. When buying just one product, such as one piece of equipment or several of the same piece of equipment, it is fairly

easy to select the appropriate code. However, the Executive Branch was interested in collecting this data on all contract awards, including construction and those service contracts in which some supplies are provided.

If the contract for services or construction did include the furnishing of supplies, then completion of Item 19A, Use of EPA Designated Products, will have to be based upon the contracting officer's knowledge of the supplies included. For example, carpet is included on the EPA designated products list at www.epa.gov/cpq. If the construction contract being reported included providing carpet of a type on the designated product list, then it is acceptable to report Code A, EPA designated products or products purchased and all contained the required minimum recovered material content. Not all supplies provided under contracts for services or construction have to be on the EPA designated product list in order to take credit for use of EPA designated products.

There is a new code in Item 23, Synopsis of Procurement Prior to Award. Code D is for those awards made for services under the SBA/OFPP Waiver Pilot program that is effective until September 30, 2004. This program is for services only.

For those offices awarding contracts for other government agencies, there are changes for the reporting of those awards, with major changes for awards for information technology awards for the Department of Defense. However, these reporting elements, Items 46A through 46E, are not to be completed for awards where the funding agency is the Department of Veterans Affairs. Please leave Items 46A through 46E blank if the funding agency is the VA.

Since the first quarter is the quarter in which reports are submitted for maintenance contracts, please remember that if the FPDS report is for an option year, then the action date must be the action date for the option year, not the base year, of the contract. The same is true for other modifications, as the action date for a modification is the effective date of the modification, not the effective date of the contract. This is extremely important now that the U.S. Small Business Administration uses FPDS data in order to measure our socioeconomic accomplishments. Use of an action date that falls outside FY 2002 will result in credit for a different fiscal year. All action dates submitted for FY 2002 reports should reflect the months of October 2001 through September 2002.

Limitations on Subcontracting

By Deborah Van Dover, Senior Procurement Analyst

Since this issue comes up periodically, it is timely to reiterate the following requirements regarding set-asides and the limitations on subcontracting. The following information comes from the Code of Federal Regulations (CFR) [Title 13, Volume 1, and Revised as of January 1, 2001].

Sec. 125.6 Prime contractor performance requirements (limitations on subcontracting):

(a) In order to be awarded a full or partial small business set-aside contract, an 8(a) contract, or an unrestricted procurement where a concern has claimed a 10 percent small disadvantaged business (SDB) price evaluation preference, a small business concern must agree that:

(1) In the case of a contract for services (except construction), the concern will perform at least 50 percent of the cost of the contract incurred for personnel with its own employees.

(2) In the case of a contract for supplies or products (other than procurement from a non-manufacturer in such supplies or Products (not including the costs of materials).

(3) In the case of a contract for general construction, the concern will perform at least 15 percent of the cost of the contract with its own employees (not including the costs of materials).

(4) In the case of a contract for construction by special trade contractors, the concern will perform at least 25 percent of the cost of the contract with its own employees (not including the cost of materials).

(b) Definitions. The following definitions apply to this section:

(1) Cost of the contract. All allowable direct and indirect costs allocable to the contract, excluding profit or fees.

(2) Cost of contract performance incurred for personnel. Direct labor costs and any overhead which has only direct labor as its base, plus the concern's General and Administrative rate multiplied by the labor cost.

(3) Cost of manufacturing. Those costs incurred by the firm in the production of the end item being acquired. These are costs associated with the manufacturing process, including the direct costs of fabrication, assembly, or other production activities, and indirect costs which are allocable and allowable. The cost of materials, as well as the profit or fee from the contract, is excluded.

(4) Cost of materials. Includes costs of the items purchased, handling and associated shipping costs for the purchased items (which includes raw materials), off-the-shelf items (and similar proportionately high-cost common supply items requiring additional manufacturing or incorporation to become end items), special tooling, special testing equipment, and construction

equipment purchased for and required to perform on the contract. In the case of a supply contract, the acquisition of services or products from outside sources following normal commercial practices within the industry are also included.

These requirements are also stated in FAR 52.219-14, "Limitations on Subcontracting". This clause is required to be inserted in all small business set-aside and 8(a) solicitations and resulting contracts.

Kudos to the Butler Acquisition Folks!

By Deborah VanDover Senior Procurement Analyst

The District Director's Annual 8(a) Support Award has been presented to acquisition personnel at the Butler VAMC. The Small Business Administration presented this award in recognition of Butler's contracting commitment to the business development of 8(a) firms supported by SBA's Pittsburgh District Office. The award is dated October 5, 2001, and was presented for support of the 8(a) program in fiscal year 2001.

We are extremely proud of the accomplishments of Butler's acquisition professionals, demonstrative advocates of small business programs and committed to providing opportunities for the small business community. Congratulations and keep up the great work!



Section 8(m)

Good News for Women-Owned Small Business and COs

By: Wayne Simpson, Deputy Director for Small Business Programs

There is good news for both Women-Owned Small Business (WOSB) and Government contracting officers trying to meet the 5% statutory WOSB goal set by the Federal Acquisition Streamlining Act (FASA) of 1994, and Secretary Principi's 6% WOSB goal in VA. Help is on the way – just a “rule” away.

Public Law 106-554 (December 21, 2000), the Small Business Reauthorization Act of 2000, added Section 8(m) to the Small Business Act. This law recognizes complaints from contracting officials over the years that one of the primary obstacles to achieving the statutory 5% WOSB goal was the absence of a target program for contracting with WOSB, i.e., set-aside authority.

Section 8(m) removes this obstacle by authorizing contracting officers to restrict competition to eligible WOSB for certain Federal contracts in industries which SBA has determined that WOSB are “underrepresented” or “substantially underrepresented” in Federal procurement. Section 8(m) explicitly limits the contracting officer's authority to restrict competition to WOSB for contracts not exceeding \$3 million (\$5 million for manufacturing).

The new Section 8(m) required SBA to conduct a study and identify industries in which WOSB are underrepresented and substantially underrepresented. That study is now complete and concluded that WOSB are active in every industry, but underrepresented,

and therefore underutilized, in all but five of 71 industries. The study also found that WOSB are substantially underutilized in 56 industries. Although WOSB has long been regarded as the fastest growing segment of the business community, only 2.3% of Government contract expenditures are with WOSB, compared to 4% in the private sector. Between 1987 and 1996, WOSB increased by 78%, almost twice the rate of growth of all U.S. businesses – but they have not received a commensurate share of Federal contracting dollars. In FY 2000, Federal procurement grew nearly 8%, WOSB received \$4.6 billion in Federal procurement dollars, nearly the same as in FY 1999. The percentage awarded to WOSB fell from 2.5% to 2.3%. In fact, Federal procurement dollars to WOSB have never exceeded 2.5%.

SBA has issued and distributed to Executive Branch agencies a draft proposed rule to implement Section 8(m) and WOSB set-asides. The draft proposed rule, and the study cited above, are embargoed outside of the Executive Branch at this time, and cannot be fully discussed in depth here in the Update. The proposed rule covers creation of a Mentor-Protégé Program for WOSB, would amend SBA's subcontracting regulations to encourage the use of a subcontracting participation evaluation factor to increase subcontracting opportunities for small businesses, and would establish a WOSB Federal Contracting Assistance Program for administration by the Office of Federal Contract Assistance for Women Business Owners (CAWBO), within SBA's Office of Government Contracting. The draft proposed rule also defines eligible

WOSB and economically disadvantaged Women-Owned Small Business (EDWOSB). We are currently working with the Acquisition Policy Staff in the Office of Acquisition and Materiel Management to develop and provide VA's comments and recommendations on the proposed rule, which are due to the OMB clearance officer by January 11, 2002. More information will be provided once the proposed rule is published in the *Federal Register* for public comment, hopefully not long after the January 11th deadline.

HUBZone Program

Congress Kills Funding – But Program is Alive and Well

By: Wayne Simpson, Deputy Director for Small Business Programs

Some acquisition professionals may have recently read media accounts that Congress killed funding for the HUBZone Program. *The Washington Business Journal* reported in their December 7, 2001, printed edition, that SBA's \$2 million HUBZone budget was cut as part of an appropriations bill signed by President Bush, November 28. In addition to the HUBZone Program, the budget also eliminates funding for Pro-Net and "One Stop Capital Shops." SBA officials are still trying to determine the "exact intent" of Congress before deciding on how to deal with the budget cuts.

So what affect does all of this have on VA's acquisition professionals and the HUBZone Program? – *absolutely nothing*. The HUBZone Program remains intact, as do the goals and authorities contained in the Act for set-asides and sole-source awards.

Senator Kit Bond, Ranking Member of the Senate Committee on Small Business and Entrepreneurship, who, as Chairman of the Committee in 1997 sponsored the legislation that created the HUBZone Program, hopes to find another way to fund the HUBZone program before Congress adjourns for the Christmas recess. A spokesman for Senator Bond indicated that the Senator's commitment to the HUBZone Program is "stronger than ever" and that the Senator does not intend "to let this go without a fight."

As of November 30, 2001, SBA had certified 4,700 small businesses for the HUBZone Program, up from 1,940 at the end of FY 2000. According to Michael McHale, SBA's Associate Administrator for the HUBZone Program, "We're still in business," adding that his office is moving HUBZone applications at the rate of 40 to 50 a week. VA is trying to assist in this effort with our HUBZone Outreach Program, currently underway. OSDBU is sending letters, using the services of the Veterans Industries (VI) Program, to commercial vendors identified by payments made during the last 18 months through the VA Financial Management System database. OSDBU has been matching vendor zip codes from the database to those in eligible census tracts and non-metropolitan county areas. The letters briefly explain the HUBZone Program and alert recipients to their potential eligibility. The most recent database includes 198,000 firms. OSDBU has sent out over 50,000 letters to-date and hopes to have this outreach initiative completed in January 2002. Hopefully these efforts will result in increasing the

number of HUBZone firms, thereby increasing HUBZone contracting opportunities for VA and other Federal contacting officers.

The Role of the Small Business Specialist

By Ilene Waggoner, Senior Procurement Analyst

During the preparation of the FY 2002 Forecast we realized that there is some confusion as to the role and responsibilities of the Small Business Specialist. The position of the Small Business Specialist is established in FAR 19.

VAAR 819.201 further establishes that Central Office and field facilities with acquisition and materiel management activities will designate an employee of their respective organizations to serve as a small and small disadvantaged business specialist. The VAAR further states that the employee designated as the small business specialist should be knowledgeable of the regulations implementing the Small Business Act and be familiar with the supplies and services purchased at that particular facility.

The VAAR requires that the name, telephone number, and mailing symbol of each designee and any successor be forwarded to the Director, OSDBU, a small task that often gets overlooked in the hectic procurement offices of the VA. The OSDBU office has tried to simplify this requirement by developing into the Forecast of Contracting Opportunities (FCO) the ability for the individual's name to be entered via the

intranet, where the system notifies the FCO system administrator, thereby obviating the need to notify OSDBU in writing. The small business specialist is the individual that counsels and assists the small businesses wishing to market the VA. From time to time OSDBU requests that the small business specialist attend conferences or trade shows in their geographic area. We appreciate the time and effort the Small Business Specialist takes in behalf of the small business community.

Small Business Improvement Plans

Secretary Calls for Plans; Commits to Reversing Disturbing Trend

By: Wayne Simpson, Deputy Director for Small Business Programs

You may soon be hearing about developing and executing Small Business Improvement Plans in your respective organizations. Chances are some of you will be called upon to provide input in the development and execution of the plans. Here is some background on what is going on.

On December 10, 2001, Secretary Principi issued a memorandum to all Under Secretaries, Assistant Secretaries and other Key VA Officials concerning Small Business Programs. In his memorandum, the Secretary reiterated VA's commitment to sustained small business program improvement, as well as VA's long and proud history of accomplishments in providing opportunities for the Nation's small businesses. The Secretary also noted that he is committed to reversing the disturbing and declining trend in VA's socioeconomic accomplishments,

indicating that senior management must take responsibility for ensuring that acquisition strategies include small business considerations.

By October 1st of each year, the Secretary instructed those organizations with significant small business procurement challenges and/or opportunities, to develop and execute a “Small Business Improvement Plan.”

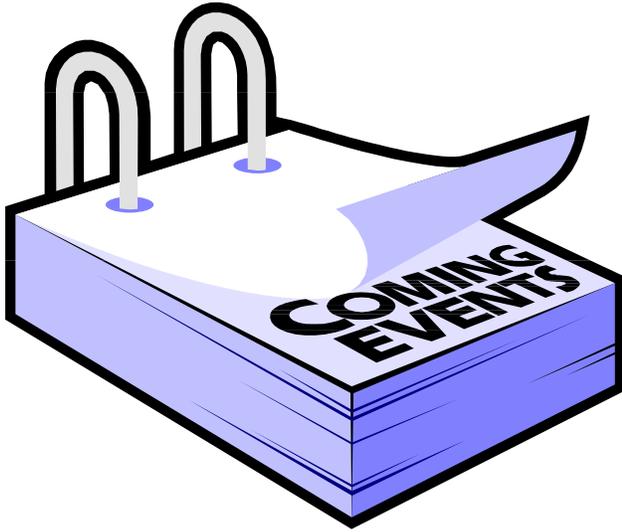
The plans will identify at least three initiatives that will be undertaken during the upcoming fiscal year to improve small business contracting performance within the administration or office, and must include qualitative factors that are measurable, address how the plan enhances the VA small business vendor base, and identify the office of primary responsibility for administering the plan. The first plans, for FY 2002, are due to the Director, OSDBU, by December 30, 2001.

In closing, Secretary Principi challenged senior management, their acquisition and program managers to accept responsibility for reinvigorating the Department’s small business Program. “Success or failure is the shared responsibility of us all,” said Secretary Principi.

OSDBU appreciates the Secretary’s long-standing and continued commitment to small business programs. We hope the Secretary’s message will resonate throughout VA – as VA’s socioeconomic program goals are not OSDBU’s goals, nor are they the exclusive goals of VA’s acquisition professionals, they are the collective goals of everyone at VA – OSDBU, contracting officers, including program managers that identify and develop requirements for submission to contracting officers.

SBA launches New Internet Site for Small Businesses

Small business owners will now have access to legal and regulatory business information through **BusinessLaw.gov**, a new website offered by the Small Business Administration (SBA). **BusinessLaw.gov** is part of one of the 23 projects developed in accordance with the Bush Administration’s e-government strategy. The web site consolidates and indexes, in one central location, links to information on 39 areas, such as licenses, permits, e-commerce, and exporting. It also offers information specific to each state and territory, including sections on “Hiring Employees,” “Paying Taxes” and “Selecting a Location.” It also features interactive tolls; searchable frequently asked questions and answers, downloadable forms and publications, electronic regulatory compliance guides, and portal capability.



January 10, 2002

“Moving Forward in Uncertain Times”

Business Conference

8:00 AM – 5:00 PM

Shady Grove Center

Rockville, Maryland

For More Information call (240)-777-2023

January 14, 2002

Congressman Albert Wynn’s Procurement Fair and Business Expo
Novak Field House, Prince George’s Community College

Upper Marlboro, Maryland

For more information call (202) 225-8699

March 6th & 7th, 2002

JPL/NASA 2001 High-Tech Small Business Conference
Westin Los Angeles Airport Hotel

Los Angeles, California

For more information call (818) 354-5722

March 11, 2002

Congressman Lindsey O. Graham, Business Opportunities Conference
Grove Park Inn Resort

Asheville, North Carolina

Form more information call (828) 251-1988

April 19, 2002

Senators Sarbanes and Mikulski Technology Connections Conference and
Business Opportunities Fair

Garrett Community College, McHenry, Maryland

For more information (301) 387-3167

April 23, 2002

OSDBU Directors Procurement Conference
Show Place Area

Upper Marlboro, Maryland

For more information call (800) 878-2940 X226

April 29th – May 2, 2002

Reservation Economic Summit and American Indian Trade Show
Hyatt Regency

New Orleans, Louisiana

For information call (800)- 462-2433

Happy Holidays

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