

PROCUREMENT MEMORANDUM 2003-01

MEMORANDUM FOR HEADS OF CONTRACTING OFFICES

FROM: Michael S. Sade
 Director for Acquisition Management
 and Procurement Executive

SUBJECT: Guidance On Contract Bundling and The Revised CD-570
 Small Business Set-Aside Review

The purpose of this memorandum is to provide guidance on contract bundling (also known as contract consolidation) and the use of the revised CD-570 Small Business Set-Aside Review form. The “Contract Bundling Action Plan” (Attachment A) provides guidance to supplement the Federal Acquisition Regulation (FAR) because the practice of contract bundling has the potential to reduce contracting opportunities for small businesses.

The Office of Management and Budget (OMB) issued a report, dated October 29, 2002, that defined a strategy to unbundle federal contracts. The Office of Acquisition Management (OAM), in collaboration with the Office of Small and Disadvantaged Business Utilization (OSDBU), developed the Contract Bundling Action Plan and revised the CD-570 Small Business Set-Aside Review form based on the OMB report.

The Contract Bundling Action Plan (hereafter referred to as the “Plan”) concentrates on acquisitions that could lead to bundled contracts, including task and delivery orders under multiple award contracts, multi-agency contracts, government-wide acquisition contracts, indefinite-delivery/indefinite-quantity type contracts, and GSA’s multiple award schedule contracts (e.g., federal supply schedules). The Plan re-emphasizes the process prescribed by the FAR for determining whether bundling is necessary and justified. The Plan also strengthens compliance with subcontracting procedures and encourages mentor/protégé and joint venture relationships with small firms.

The Plan prescribes the process for HCOs to submit required information to OSDBU for compilation into quarterly reports to OMB on the status of the Department’s efforts to address contract bundling issues.

In conjunction with the Plan, the CD-570 Small Business Set-Aside Review form has been revised to capture acquisition planning and marketing information that could lead to bundled contracts, including task and delivery orders (Attachment B). If the contracting officer contemplates awarding a bundled contract, the contracting officer must seek the approval, via the CD-570, of the bureau small business specialist, OSDDBU, and the SBA PCR before issuing the solicitation.

If a bundling analysis has already been approved based on the initial contract, it is not necessary for the contracting officer to perform another bundling analysis before exercising an option. However, for modifications to existing contracts that add new requirements valued over \$500,000 or that will increase the total contract cost to over \$500,000, the contracting officer must submit a CD-570 for approval. The contracting officer should analyze the procurement history to determine whether the requirement was previously met by separate, smaller contracts or if the requirement could have been met by small businesses.

The following changes were made to the CD-570:

- **Block 3c – Subcontracting Plan** – The contracting officer must indicate if the proposed acquisition has subcontracting opportunities. The contracting officer must include a source selection factor for the offeror’s proposed use of small businesses as subcontractors and their past performance in meeting subcontracting goals in negotiated competitions.
- **Block 3d - Consolidated Requirement** – The contracting officer must address the impact of any bundling on the participation by small business, HUBZone small business, woman-owned small business, small disadvantaged business, service-disabled Veteran-owned small business, Veteran-owned small business, and 8(a) business. The contracting officer must attach a written determination that bundling is necessary and justified based on market research and measurably substantial benefits to the government. The contracting officer must indicate that the incumbent small business concerns have been notified or will be notified at least 30 days prior to the release of the solicitation of the government’s intentions to consolidate the requirement with one or more other requirements.
- **Block 6 – Proposed Sources** – The contracting officer must attach a list of potential sources (name, address, phone number, and socio-economic category).
- **Block 7 – Set-aside Not Recommended** – The contracting officer must attach a written justification for not setting acquisition aside for small business (partial and full). The contracting officer must also justify the contemplation of a single task or delivery order (e.g., federal supply schedule) that aggregates smaller acquisitions into a large single lot beyond the reach of small contractors.

For further information, contact Nancy Barrere, Procurement Analyst in OAM on (202) 482-5519 or T.J. Garcia, Director of OSDBU on (202) 482-1472.

Attachment A - Contract Bundling Action Plan, CD-570 Small Business Set-aside Review, and Quarterly Contract Bundling Report

Attachment B - Guidance on Approval Levels for CD-570 Small Business Set-aside Review