

GSA's Strategic Plan for Contracting Service-Disabled Veteran-Owned Small Businesses (SDVOSBs)

In December 2003, the President of the United States and Congress enacted Public Law 108-183. This law established a preference for the U.S. federal government to contract with Service-Disabled Veteran-Owned Small Businesses (SDVOSBs). This law was enacted as a follow on to P.L. 106-50, which designated that three percent of the total value of all prime contract and subcontract awards by the federal government be awarded to SDVOSBs.

As the fifth largest procurement organization of the U.S. federal government, GSA is prepared to assist SDVOSBs to sell their products and services to the federal government, as well as assist federal agencies in identifying and utilizing service-disabled veteran-owned small businesses under GSA contract.

Plan Overview

The SDVOSB set-aside category was created to help a subset of veteran-owned businesses become more competitive in the federal market. Although many federal agencies initiated aggressive outreach programs to improve SDVOSB prime and subcontracting opportunities, the Government has struggled to meet the three percent mandate associated with this side-aside category.

In the past, GSA has fallen short of meeting the goals for contracting with SDVOSBs. To some extent, this was due to the lack of identified SDVOSB vendors. The Department of Veteran Affairs (VA) estimates that the service-disabled veteran population will stay between 2.1 and 2.5 million veterans through 2030. (Source: VetPop 2001, Adj., Office of Actuary, VA, December 2002). Additionally, the Census Bureau reports more than 4.2 million veteran-owned businesses with 320,000 of them designated as a SDVOSB. Only a fraction of those businesses are on the Central Contracting Registry and on vet.biz.gov as federal government contractors, with an even smaller fraction of those listed on GSA schedules.

Government historically meets or exceeds socioeconomic goals, and GSA has a tremendous opportunity to accomplish the objectives that the President and Congress have put forward to assist SDVOSBs, and to aid GSA's customers in achieving their three percent goal.

GSA brokers or spends almost \$45 billion each year for commodities, equipment and services to carry out its mission as the preeminent Federal landlord and purveyor of procurement services. GSA procured more than \$10 billion in goods and services for federal agencies through the third quarter of fiscal year 2004. Of that amount, approximately 42 percent, or \$4.2 billion, went to small businesses. The current numbers provided by the Small Business Administration estimate that GSA target for the SDVOSB goal ranges from \$4 billion to \$13 billion depending on whether schedules are included or not.

To further certain socioeconomic objectives of the Nation, GSA has targeted a significant percentage of its budget for small businesses entitled to preferential treatment. As a result, GSA procurement dollars have gone to small and disadvantaged businesses, woman-owned small businesses, minority-owned small businesses and small businesses located in economically depressed areas. In addition, GSA has been a leader in providing contracting opportunities for persons with disabilities by championing procurements with Javits-Wanger-O'Day agencies.

Given GSA's mission, this agency is making every effort to lead the federal community in providing business opportunities to small businesses owned by Veterans. Executive Order 13360 provides the framework and emphasis to jumpstart GSA's internal initiatives as well as a unique opportunity for GSA to become a preferred provider in its three major business lines: The Federal Supply Service, the Federal Technology Service and the Public Buildings Service.

Operation Breakout (GSA's Five-Point Plan)

Bradley Scott, the Heartland Regional Administrator, has been charged with developing and coordinating specific strategies to achieve GSA's goals for doing business with SDVOSBs. His team reviewed several proposed initiatives to increase GSA procurements from veteran-owned and SDVOSBs. The team has met, and will continue to meet, with representatives from a number of these small businesses to hear their view points, experiences and advice.

Currently, the analysis concludes that achieving GSA's procurement goals for SDVOSBs requires more than a concerted effort to educate contracting officers and program officials about the goal; GSA must also identify and educate those SDVOSB vendors that can provide the goods and services GSA needs. To ensure long-term viability of this program, fundamental changes in procurement law and preferential program policies will continue to be refined. This effort is called Operation Breakout, and includes a five point strategic planning foundation.

Point 1: Integrate GSA's Service-Disabled Veteran-Owned Small Business Goals into GSA's Acquisition Planning Process

GSA will use its market leverage through acquisition planning at both the national and regional levels. GSA will integrate into this planning process its goals for contracting with and subcontracting to small businesses owned by veterans. GSA regional, facility-level contracting is the major source of opportunities for veterans.

GSA will also need to promote the practice of educating employees, especially purchase cardholders, about the importance of doing business with SDVOSBs. Currently, there is no centralized effort or tracking of this data. GSA will institute procedures to capture and report purchases made by purchase cards from SDVOSBs and other socioeconomic categories. (The Department of Defense Acquisition Regulation (DAR) has forms and procedures that could be easily modified for GSA use in collecting this information.) Currently, it is not possible to obtain this information. Such data are essential to measure accurately the amount of GSA business going to VO and SDVO small businesses. The team suspects that GSA is doing a better job of meeting all its goals than is being reported, and capturing this information will help GSA better track all socioeconomic goals.

Point 2: Develop Specific Acquisition Strategies for Increasing Contract Awards to Service-Disabled Veteran-Owned Small Businesses and Expand the Opportunities within the GSA Schedules Program

In the last 10 months, GSA has quadrupled the number of SDVOSBs on the FSS Schedules, rising from 98 to more than 425 small businesses. Yet, even as these numbers grow, having SDVOSBs on Schedule is not enough.

GSA now needs to identify and catalogue these small businesses for internal use and as a valued added service to our customers. Maintaining a database with accurate information on SDVOSBs will require a major effort nationally, regionally and locally. Present databases contain a relatively small number of SDVOSBs, and the topics are skewed towards information technology (IT). Also, the databases are not geographically dispersed. To be a truly valuable resource, the database will need to be expanded to include as many SDVOSB firms as possible; and it must be updated on a regular basis.

A GSA plan to bring together potential SDVOSB business partners with GSA contracting officers, program officials and large business prime contractors is in progress. Since facility-level contracting will be the major ingredient in achieving the three percent goal and program objectives, GSA will need a centralized strategy with decentralized execution for successful development of acquisition strategies to increase awards to SDVOSBs.

The focus will be on several key areas:

- Creating user-friendly web pages

GSA has created this site to specifically focus upon maintaining information for other federal agencies, information for SDVOSBs and links with partner agencies like the DVA, SBA, Veterans Service Organizations (VSO) and others.

- Capturing purchases made by purchase card

Many local acquisitions, particularly those costing less than \$2,500, are paid by purchase card. These purchases can be made directly from SDVOSB firms without competition.

- Integrating SDVOSB and socioeconomic goals into operational and capital planning.

GSA will use its market leverage through acquisition planning at both the national and regional levels. This agency will integrate into this planning process its goals for contracting and subcontracting to small businesses owned by service-disabled veterans. GSA's regional, facility-level contracting is the GSA major source of opportunities for veterans.

- Improving market research

Market research is essential to ensure the Government gets best value for the products and services it buys. Since most of the products and services GSA buys are found commercially, market research must be done before initiating a procurement action. Acquisition reform has opened the door to new approaches to market research.

Traditionally, the contracting officer and the contracting officer's technical representative have performed the market

research. Establishing a ready made, qualified pool of SDVOSBs helps accelerate a capability determination. GSA should also consider forming a cross service team to do the market research and share the results agency wide. This approach involves more people, considers the unique nature of each services mission, provides better insight into industry practices and commercial offerings, and enhances all of GSA's understanding of the information collected.

Federal Supply Service (FSS) schedules produced \$32.5billion in sales in FY2004. This represents a major source of operating funds for the agency, but perhaps more importantly quantifies the tremendous opportunity for GSA and our customers. This ultimately represents the most significant opportunity for SDVOSBs to minimize the entry cost into the government marketplace, expand their business opportunities and avoid the time delays associated with government procurement. FSS acquisition centers must prioritize getting SDVOSBs on schedule.

It is further suggested to consider using the Navy's Seaport e program as a model for future years. In this program the Navy has a policy of Rolling Admissions to include new companies in the suite of their multiple awardees. This ensures that SDVOSBs, which are on the brink of the VETS GWAC award, are not totally left behind by allowing a limited number to be added in future years. Of course, GSA has to be prudent by not letting the number of contract awardees to become too cumbersome to manage. In the selection process we should strongly encourage teaming, subcontracting and mentoring.

Point 3: Develop a Communications Plan to Inform and Foster Relationships with Key Stakeholders of GSA's Committed Plan for Increasing Contract Awards to Service-Disabled Veteran-Owned Small Businesses

Increasing contract awards to SDVOSBs requires awareness and commitment at every level within GSA. As GSA defines procurement requirements, leaders and managers must understand GSA's contracting goals and work aggressively to achieve them. Senior officials need to report, on a quarterly basis to the Administrator on progress in meeting these goals within their respective organizations.

Monitoring organizational performance in this highly visible forum will highlight GSA leadership's commitment to meet these goals. Simultaneously, GSA must communicate its commitment in this area to veterans who are small business owners and show them how to identify GSA procurement requirements they can meet. An effective communications plan is essential to ensure that everyone involved in the procurement process understands GSA's objectives in this area and how to help achieve them.

Point 4: Develop Appropriate Personnel Performance Standards and Award Systems to Encourage Achievement of GSA's Service-Disabled Veteran-Owned Small Businesses

The executive order names three positions within GSA that must incorporate these performance standards into their performance plan. They are the designated senior official, the Chief Acquisition Officer and the Director Office of Small Business Utilization.

As a recognized leader in federal procurement, GSA needs to do more in holding its associates accountable at every level. The plan is to recommend that all regional administrators, their deputies and assistant regional administrators have this as part of their performance plan as well.

GSA must hold our managers accountable for reaching these goals within their contracting activity or program. At present, this is not done. As a result, there exists some confusion about whose responsibility it is to reach these goals. GSA should also consider taking this to selected associates and amend their performance plans accordingly.

Since GSA contracting activities are decentralized, it is easy for individual contracting units to believe that other units will do what is necessary to achieve GSA's overall contracting goals. GSA needs to correct this perception and hold individual units responsible for their performance in achieving these goals. Statistics are maintained for an individual unit's performance in this area, and GSA should use the data in conducting APPAS reviews. At present, failure to meet the goals does not result in punitive action, and success is not always rewarded. GSA needs to recognize outstanding efforts by our employees and prime contractors whose efforts exceed the spirit and intent of the requirements set forth in both public laws and the executive order.

Point 5: Develop Mechanisms to Provide Preferential Procurement Status for Service-Disabled Veteran-Owned Small Businesses

GSA and other Government agencies have a history of meeting socioeconomic procurement goals established by Congress and the President. However, even when targeted small businesses can be identified, it is often difficult to reach goals for doing business with them without a preferential procurement mechanism such as authority to set aside certain procurements

for the targeted category. Given this reality, the GSA must explore options that could provide preferential treatment for SDVOSBs. Perhaps Secretary Anthony J. Principii, Department of Veterans Affairs, best summarized this precept for all governmental agencies when he said, “We possess both a unique opportunity and a unique responsibility to serve America and its veterans by expanding business opportunities for veterans who own small businesses.”

Based on this underlying principle, it is altogether proper and consistent with GSA’s mission to seek specific procurement set-aside authority for SDVOSBs. GSA will attempt a two prong approach.

First, simplify the application process for 8(a) preferential procurement. In discussions with SDVOSBs, they almost universally recounted the difficulties in applying for 8(a) preferential procurement status from the Small Business Administration. Persistence and perseverance ultimately pay off, but a simpler process would allow them faster contracting opportunities, since much of what a contracting officer can or cannot do is tied to SBA policy and reporting procedures.

Second, in order to expand business opportunities for these firms, GSA should seek authority to give all SDVOSBs the same preference now given to small businesses located in a designated geographic area. This recommendation would apply only to GSA procurements. If granted this legislative authority, GSA contracting officers could set aside certain procurements for service-disabled veteran-owned small businesses.

Subcontracting Focus

Subcontracting is specifically mentioned in the Executive Order as part of achieving the three percent goal, and it is a major component of GSA’s strategic planning.

Subcontracting monitoring is underperforming across the federal government. GSA, working in concert with the Small Business Administration (SBA), will need to leverage its role as a major acquisition player in order to improve subcontracting performance of large businesses. The Federal Acquisition Regulations (FAR) Part 19 requires large companies (or prime vendors) to prepare, monitor and report on the award of dollars to companies in selected socioeconomic categories. Additionally, the FAR requires prime contractors to flow down the “best effort” clause (FAR 52.219.8) for subcontracts over the simplified acquisition threshold (currently \$100,000).

The plan recommends that GSA monitor and enforce the requirement that prime contractors (except small business) that receive subcontracts in excess of \$100,000 (the simplified acquisition threshold), adopt a subcontracting plan that complies with the requirements of FAR flow down requirements. The plan recognizes that there will be instances when visibility to the task order may not be practicable or beyond GSA control. However, the intent is to establish aggressive “floors” and broaden this requirement for our primes. The goal is to cast a wider net in hope of getting more tier one and tier two dollars to SDVOSBs. Concurrently, all other socioeconomic categories will benefit through this aggressive approach.

Currently, prime vendors use SF 294 and 295 to report their performance to agencies and the SBA. These reports are routinely viewed by a host of agencies and special interest groups. GSA should develop a barometer for each of its prime vendors. This easy to understand visual could then be posted on the web for all customers and constituents to see. One of the intended outcomes is to provide a snapshot that quickly shows what businesses are engaged in a good faith effort to meet their subcontracting goals. Perhaps another consequential outcome will be to foster competitiveness amongst prime vendors looking to maintain or enhance their public image.

SDVOSBs, like other socioeconomic groups, are looking toward subcontracting as a mechanism to establish performance under government contracts. Past performance is a significant hurdle for new small businesses to overcome in the federal procurement process. Contracting officers look at past performance as a major indicator what business can do the job and has the stability to complete the desired work. One of the best ways to gain the base of performance is to work as a subcontractor under a large federal prime.

GSA’s Initiative Partners

GSA is partnering with the U.S. Department of Defense, the Defense Logistics Agency, the Small Business Administration and the Department of Veterans Affairs.