



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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13 FEB 2006

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

The Honorable John F. Kerry
Committee on Small Business & Entrepreneurship
United States Senate
Washington, DC 20510-6350

Dear Senator Kerry:

This is in reply to your letter to Secretary Rumsfeld regarding the Service-disabled Veteran-owned Small Business (SDVOSB) Program. In order to answer your specific questions, my office has aggregated preliminary data from the previous fiscal year (FY 05). Inasmuch as the FY 05 figures are still preliminary, there may be adjustments to the final data. I have attached answers to your specific questions as a separate document.

The SDVOSB program is relatively new, and as with all new programs, the implementation process takes a while. Hence, I have also attached a copy of the Department of Defense (DoD) Service-disabled Veteran-owned Small Business (SDVOSB) Strategic Plan so that you can see the DoD roadmap for taking this program to maturity. We appreciate your interest in the progress DoD has made in this important program.

Sincerely,

Frank M. Ramos, Director
Office of Small Business Programs

Attachment:
(As stated)

cc: Sen. Snowe



**United States Department of Defense
Service-disabled Veteran-owned Small Business Program
Answers to Senator Kerry**

- **Set-asides and sole source awards:** Preliminary data show that the DoD awarded \$1.1 Billion to SDVOSBs or .05 %. In FY 2004 the amount was \$513 million or .03 % of total awards. The net increase in dollars between FY 2004 and FY 2005 was \$587 million. This increase led all small business programs in percentage growth for FY 2005. Based on preliminary data from the military services and other defense agencies (ODAs), DoD has awarded set-aside contracts in FY 2005 to SDVOSBs in the amount of \$ 46 million. Please note that these set-aside awards are competitive under the “rule of 2 or more”. In addition, DoD awarded 609 sole source contracts to SDVOSBs.

- **Strategies to inform agency contractors:** DoD published its SDVOSB Strategic Plan on May 10, 2005 at www.acq.osd.mil/sadbu. Several elements of the DoD Strategic Plan inform contractors of DoD opportunities. Under Objective 1, SDVOSBs seeking to obtain contracts from DoD are urged to register in the Central Contractor Registration (CCR). On July 15, 2004, Frank M. Ramos, the Director of the Office of Small Business Programs (OSBP) for the Department of Defense, testified before Congress that there were only 5,006 SDVOSBs in the CCR at that time. Our most recent data of January 17, 2006 lists 9,318 SDVOSBs in the CCR – an increase 4,312 concerns or an increase of 86.1 percent. Once the potential SDVOSB is in the CCR, acquisition officials and prime contractors can “data mine” the CCR for purposes of contracting and subcontracting market research.

Over the course of the last year, this office co-sponsored the National Veterans Small Business Conference with some 750 attendees. President Bush addressed the attendees by letter and Secretary Rumsfeld addressed the attendees by video. Michael Wynne, the Under Secretary for Acquisition, Technology and Logistics (AT&L), issued a Memorandum to the Joint Chiefs of Staff, all Secretaries and Assistant Secretaries and Major Commands attaching the SECDEF Strategic Plan and encouraging all in DoD to expand procurement opportunities for SDVOSBs.

At the National Veterans Small Business Conference, a keynote speaker was Everett Alvarez, a Viet Nam era Prisoner of War and successful businessman, who recognized from the podium another Viet Nam Prisoner of War and successful businessman, Fred Purrington. As an offshoot of the conference, Mr. Alvarez and Mr. Purrington, organized a 14 corporation

team of SDVOSBs to seek contracts and subcontracts with DoD at a meeting just north of Gettysburg, Pennsylvania. *See* Objective 6, Strategic Plan.

The OSBP Director has also used the media to get the message out to SDVOSBs. In furthering the National Veterans Small Business Conference, the Director was interviewed by FOX News and the national radio business network. CBS interviewed participants at the conference. An affiliate of the National Association of Hispanic Publications interviewed the Director and Everett Alvarez on DoD's efforts to reach SDVOSBs, with the interviews performed in Spanish. The Pentagon Channel interviewed the Director for 30 minutes on DoD's efforts to increase contracting opportunities for SDVOSBs which was broadcast to servicemen and servicewomen throughout the world.

The OSBP Director has testified three times before House Committees of Small Business and Veterans Affairs on the SDVOSB Program and Plan and attended a Congressional Roundtable on the SDVOSB program. The Director attended a Hispanic National Veterans Conference with Secretary Nicholson of the Veterans Administration, the Surgeon General, Under Secretary Dominguez of the Air Force and Under Secretary Navas, where the SECDEF Strategic Plan was presented. This office has organized a meeting with a Mentor-Protégé team (Fluor-Struthers) where the protégé is a SDVOSB, to create SDVOSB teams for the Gulf coast cleanup. This team is looking at a multi-million dollar small business set-aside for Ft. Bliss, Texas.

And finally, the OSBP Director has participated in receptions at the Pentagon where Secretary Rumsfeld has received the severely wounded from Bethesda Naval Hospital and where small business opportunities have been discussed informally on a one to one basis.

In addition to the publication of the Strategic Plan on the DoD Small Business website, DoD and its components have conducted or participated in approximately 45 outreach conferences to inform SDVOSBs of the DoD procurement process, including the National Veterans Small Business Conference held last year on June 20-22, 2005 where there were more than 750 attendees. DoD personnel have counseled hundreds of potential SDVOSB vendors by telephone or face to face in office sessions. In addition to other outreach activities conducted and scheduled, DoD will hold a SDVOSB procurement conference in Dallas, Texas on December 4-7, 2006. *See* Objectives 1 and 2, Secretary of Defense Strategic Plan, attached.

- **Process for contacting officers:** The DoD is a decentralized agency. For purposes of procurement activities, decisions are made by the military services at the command level and through the other defense agencies (ODAs) buying activities. The DoD Small Business website is a useful tool. Interested SDVOSBs may enter the website at www.acq.osd.mil/sadbu and click on **Overview of Programs**. The searcher then clicks on **Veteran-owned Small Businesses** or scrolls down to the **SDVOSB icon** (Eagle with Golden Talons) and to frequently asked questions (FAQs). The searcher can then go to the 10 steps for doing business with DoD, which will have links to the Procurement Technical Assistance Centers (PTACs) for assistance, CCR for registration and FebBizOps, www.fedbizopps.gov, for specific opportunities. Another route for the searcher is to scroll down to the Military Services and the ODAs by clicking on **Contacts** in the left hand margin. Once reaching this level, the personnel on those pages can direct the SDVOSB to specific individuals and opportunities within specific industries and purchasing centers.
- **Training Programs:** Under Objective 2, DoD developed a training module available through the Defense Acquisition University (DAU) that is online and available to all acquisition personnel. Since its inception, 557 personnel have taken the online course. The DAU President, Frank J. Anderson, was a guest speaker at the 2005 National Veteran Small Business Conference from June 20-22 in Nevada. In his speech, Mr. Anderson highlighted the course to approximately 700 conference participants. The Air Force has trained 1800 personnel about the program. At all outreach and training conferences, the DAU course availability has been promoted. Moreover, at the outreach activities and conferences referenced above, agency personnel have made presentations on various aspects of the SDVOSB program.



Department of Defense
Service-Disabled Veteran-Owned
Small Business Strategic Plan



In accordance with Section Two of Presidential Executive Order 13360, and in order to significantly increase contract and subcontract award opportunities for Service-Disabled Veteran-Owned Small Businesses, the undersigned Senior Level Executives hereby issue and publish this Strategic Plan for the United States Secretary of Defense.

Handwritten signature of Michael W. Wynne in cursive.

The Honorable Michael W. Wynne
Under Secretary of Defense for
Acquisition, Technology & Logistics

DATE: May 16, 2005

Handwritten signature of Frank M. Ramos in cursive.

Frank M. Ramos, Director
Office of Small & Disadvantaged
Business Utilization

DATE: May 9, 2005



Goal: Strengthen Opportunities in Federal Contracting and Subcontracting for Service-Disabled Veteran-Owned Small Businesses (SDVOSBs)



Agency Strategy: The Department of Defense (DoD) long-term strategy is a five (5) year plan to significantly increase contracting and subcontracting opportunities for Service-Disabled Veteran-Owned Small Businesses (SDVOSBs). The six (6) objectives of the strategic plan outline DoD's approach to meet the plan's goal.

The term "objective," when used in this plan, is the equivalent of the term "element" used in Executive Order 13360.

This plan supports OUSD (AT&L) goals four and six.

The plan will be reviewed and adjusted annually.



**Goal: Strengthen Opportunities in Federal Contracting
and Subcontracting for Service-Disabled Veteran-
Owned Small Businesses (SDVOSBs)**



Objectives of Strategic Plan

Increase:

- ✓ Number of SDVOSBs in Central Contractor Registration (CCR)
- ✓ Training and outreach of acquisition community to increase use of sole source and restricted competition
- ✓ SDVOSB participation in the Mentor-Protégé Program
- ✓ Large prime subcontracting awards to SDVOSBs
- ✓ Surety bonding capacity for SDVOSBs with construction and environmental remediation NAICS Codes
- ✓ Teaming agreements and joint ventures to enhance capacity and capability of SDVOSBs



Goal: Strengthen Opportunities in Federal Contracting and Subcontracting for Service-Disabled Veteran-Owned Small Businesses (SDVOSBs)



Objective 1: Increase number of SDVOSBs in Central Contractor Registration (CCR)

Description:

- Collaborate with veteran service organizations (VSOs) to increase the supplier base of SDVOSBs in CCR for use by contracting officers and DoD prime contractors

Impact:

- The broadened supplier base will provide program managers, contracting officers and large prime contractors with an enhanced market analysis tool

Impediment:

- Lack of understanding and knowledge by organizations and individual SDVOSBs of prerequisite to register in CCR

Accomplishments:

Nov 04-Mar 05 SADBUs has established an *ad hoc* liaison to share information and establish working relationships with VSOs

Schedule:

FY 05 Reconciliation of VA and DoD databases of SDVOSBs in CCR

FY 05 and out years Continue coordinated data sharing with VA and VSOs

FY 05 Encourage VSOs to assist in registration of SDVOSBs in CCR by October of each year

FY 06 Reconcile data with interested VSOs

FY 06 and out years Annual analysis and review of all SDVOSBs in CCR by industry

Near Term Actions [90 days]:

Apr 05 Coordinate with Veterans Task Force to develop data sharing strategies with VA and VSOs on SDVOSBs

Apr 05 Collaborate with VA and VSOs to assist unregistered SDVOSBs to register in CCR

Jun 05 Register SDVOSBs in CCR at National Veterans Small Business Conference, June 20-22, 2005 via hotlink on SADBUs's SDVOSB webpage

Jun 05 Encourage military services and Other Defense Agencies (ODAs) to register SDVOSBs at their conferences and to add CCR hotlink to websites



Goal: Strengthen Opportunities in Federal Contracting and Subcontracting for Service-Disabled Veteran-Owned Small Businesses (SDVOSBs)



Objective 2: Training and outreach of acquisition community to increase use of sole source and restricted competition

Description:

- Collaborate with Defense Procurement and Acquisition Policy (DPAP) to inform senior level acquisition community leadership of final rule in FAR 19.14
- Coordinate with DPAP to inform acquisition community of training opportunities
- Coordinate with Defense Acquisition University (DAU), military services and ODAs on training opportunities for acquisition community
- Encourage military services and ODAs to initiate credible and aggressive metric based, sole-source and restricted competition awards to SDVOSBs
- Encourage large DoD Prime contractors to subcontract with SDVOSBs
- Include in the military service's and ODA's annual reports the number of personnel trained in FAR 19.14

Impact:

- Create an acquisition workforce that is knowledgeable about the FAR 19.14

Impediments to Completion:

- None

Accomplishments:

- Oct 04** DoD held familiarization outreach on E. O. 13360 at Annual Small Business Training Conference
- Oct 04** SADBUs, DPAP, Army and DAU collaborated and completed online training module
- Dec 04** DoD SADBUs addressed Army Corps of Engineers Annual Small Business Conference on E.O. 13360
- Mar 05** DoD addressed SBLO conference on SDVOSB plan

Schedule:

- FY 05** OSD, military services, and ODAs will provide training and outreach at three annual conferences
- FY 05 and out years** Mentor-Protégé conference (March)
- FY 05 and out years** National Veterans Small Business Conference (June)
- FY 05 and out years** DoD Small Business Training Conference (October)
- FY 05 and out years** Military service's and ODA's Annual plans shall include use of DAU Online SDVOSB training module
- FY 05** Establish Outreach and Training Working Group with military services, ODAs, SADBUs and DPAP
- FY 05 and out years** Update DAU training module with DAU and incorporate into relevant electronic training modules

Near Term Actions [90 days]:

- Apr-Jun 05** DLA and Air Force to conduct outreach and training on SDVOSBs
- Apr-Jun 05** Placement of FAR 19.14 and Mentor-Protégé interim rule on SADBUs website
- Jun 05** National Veterans Small Business Conference, June 20-22, 2005 will have training on use of sole source and set-aside awards under final rule of March 18, 2005



Goal: Strengthen Opportunities in Federal Contracting and Subcontracting for Service-Disabled Veteran-Owned Small Businesses (SDVOSBs)



Objective 3: Increase SDVOSB participation in DoD Mentor-Protégé Program

Description:

- Collaborate with military services and ODAs to develop an initiative to fund select SDVOSBs for consideration in Mentor Protégé Program (MPP)

Impact:

- Accelerate protégé capabilities as a supplier for DoD industrial base
- Bring SDVOSBs into industrial base mainstream

Impediments to Completion:

- Publication of *Interim* DFARS Rule

Accomplishments:

- Nov 04** Large defense mentor initiated contact with SADBUs to increase participation of SDVOSBs in their subcontracting plan
- Dec 04** SADBUs collaborated with DPAP to accelerate the publication of the DFARS *interim* rule to allow SDVOSBs to participate in the DoD MPP
- Mar 05** SADBUs invited SDVOSB candidates to MPP Conference on March 15-17, 2005
- Mar 05** Invited potential SDVOSB protégés to attend National Veterans Small Business Conference, June 20-22, 2005
- Mar 05** Placed MPP panel on agenda for National Veterans Small Business Conference, June 20-22, 2005

Schedule:

- FY 05** Publication of *Interim* DFARS rule
- FY 05** Final agreements between SDVOSB protégés and mentors
- FY 05** DoD National Veterans Small Business Conference to train SDVOSBs with panel on MPP
- FY 05** SDVOSB Mentor-Protégé agreements accepted
- FY 05** Recognize first group of SDVOSB Mentor -Protégé agreements allowable under *Interim* DFARS rule
- FY 06** Publish final MPP DFARS rule
- FY 06 and out years** Continue SDVOSB participation in MPP

Near Term Actions [90 days]:

- Mar-Jun 05** Follow up with first group of potential SDVOSBs who attended MPP Conference on March 15-17, 2005
- Mar-Jun 05** Invite and register SDVOSBs to National Veterans Small Business Conference, June 20-22, 2005
- Jun 05** Conduct panel discussion on SDVOSBs participation in MPP
- Sep 05** Publicize first SDVOSB Mentor-Protégé agreements since passage of the MPP amendments



Goal: Strengthen Opportunities in Federal Contracting and Subcontracting for Service-Disabled Veteran-Owned Small Businesses (SDVOSBs)



Objective 4: Increase large prime contractor subcontracting with SDVOSBs

Description:

- Collaborate with six selected DoD large prime contractors by identifying a pool of qualified SDVOSBs and matching them with subcontracting opportunities
- Negotiate increased SDVOSB subcontracting goals with the selected prime contractors
- Use the data and techniques developed above to negotiate subcontracting goals with all prime contractors

Impact:

- Increase the dollar amount of SDVOSB subcontracting by large prime contractors

Impediments to Completion:

- Availability of qualified SDVOSBs to meet large prime contractor subcontracting goals

Accomplishments:

Oct 04 SADBUs collaborated with Defense Contract Management Agency (DCMA) to initiate plan for large prime contractors to provide subcontract opportunities for SDVOSBs

Nov 04 SADBUs developed strategy for including SDVOSBs in large prime contractor comprehensive subcontract plans

Dec 04 SADBUs approached by large prime contractor to develop a plan for SDVOSB subcontracting plan to use as a model for other large DoD prime contractors

Mar 05 SADBUs initiated action plan with DCMA and VA to increase subcontracting with large DoD prime contractors

Schedule:

FY 05 DCMA assumed lead responsibility for this objective

FY 05 DCMA will provide to SADBUs potential pool of SDVOSBs that can meet DoD prime contractor subcontracting needs

FY 05 DCMA will select six DoD prime contractors to participate

FY 05 DCMA will provide pool of qualified SDVOSBs to DoD prime contractors to match their needs and satisfy their goals

FY 06 DCMA will negotiate increased SDVOSB subcontracting goals with selected DoD prime contractors as part of annual subcontracting plan negotiations

FY 06 and out years SADBUs and DCMA will provide annual evaluation of the plan

Near Term Actions [90 days]:

Apr 05 DCMA will match the VA database of SDVOSBs with SDVOSBs that have other DoD contracts

Apr-May 05 DCMA will identify SDVOSB subcontract opportunities for select DoD large prime contractors

Apr 05 DCMA will notify select DoD prime contractors of pool of qualifiable SDVOSB subcontractors

May 05 SADBUs and DCMA initiate plan with select large DoD prime contractors

Jun 05 SADBUs and DCMA will present plan at panel with select DoD large prime contractors on June 20, 2005

Sep 05 Plan will be tested in time to use in negotiations with select DoD large contractors



Goal: Strengthen Opportunities in Federal Contracting and Subcontracting for Service-Disabled Veteran-Owned Small Businesses (SDVOSBs)



Objective 5: Increase Surety Bonding Capacity for SDVOSBs in Construction and Environmental Industries to meet anticipated set-aside solicitations

Description:

- Increase the capacity for bid bonds, payment bonds and performance bonds for SDVOSBs to increase contracting and subcontracting awards for anticipated set-aside solicitations under DFARS

Impact:

- Accord acquisition community more latitude for set-aside solicitations to allow SDVOSBs to compete for larger awards

Impediments to Completion:

- Market forces have reduced the amount of bonding capacity at all levels -- large prime construction contractors, as well as small primes and subcontractors
- Several Treasury listed bonding companies have ceased to write surety bonds

Accomplishments:

Jan 05 SADBUs coordinated meeting on market forces with prime contractor of Pentagon Renovation (Pen Ren), its subcontractor, a small business trade association, bonding agents and DoD officials

Jan 05 SADBUs was appointed chair of a federal interagency working group for SDVOSBs to lead an initiative to increase bonding capacity for small firms

Mar 05 At MPP Conference, SADBUs introduced firm with excess bonding capacity to SDVOSB to explore use of its excess bonding capacity

Schedule:

FY 05 Initiate plan by fusing Bonding Tiger Team with Army Corps of Engineers (COE) "construction strategy" Tiger Team

FY 06 Coordinate with SBA and Office of Advocacy to solicit support for increased bonding capacity

FY 05 Convene Roundtable with large DoD prime construction firms and their sureties to present report and analysis, discuss problem, and develop a plan to solve it

FY 05 Meet with DoD large prime construction firms and their sureties to plan outreach events from Roundtable results

FY 06 Conduct outreach events with COE to implement plan

FY 06 Develop performance metrics to measure progress of plan

FY 06 and out years Submit annual reports to AT&L on metrics

Near Term Actions [90 days]:

Apr 05 Initiate fusion with COE and send Pen Ren report

May 05 Derive benefits of COE field hearings

May 05 Form "Bonding Tiger Team" for action plan with:

✓ Pen Ren *ad hoc* group, Army, Navy, Air Force

✓ SDVOSB Federal Interagency Working Group

✓ Veterans Task Force representative

✓ Large primes and sureties representatives

✓ SBA Office of Advocacy

✓ COE "Procurement and Implementation Tiger Team"

May 05 Convene Bonding Tiger Team Roundtable to discuss report and strategies to increase bonding capacity

Jun 05 Integrate Tiger Team plan with COE "construction strategy" for \$20 billion solicitations for Dec 05 and present plan at National Veterans Small Business Conference



Goal: Strengthen Opportunities in Federal Contracting and Subcontracting for Service-Disabled Veteran-Owned Small Businesses (SDVOSBs)



Objective 6: Use Teaming Agreements and Joint Ventures to enhance capacity and capability of SDVOSBs

Description:

- Encourage the use of teaming and joint venture agreements to enhance capacity and capability of SDVOSBs to successfully bid on larger contracts for prime contracting and subcontracting

Impact:

- Provide acquisition community, under set-aside authority, teaming and joint venture models with enhanced capability and capacity to allow SDVOSBs to compete for larger prime contracts and subcontracts

Impediments to Completion:

- Reluctance of acquisition community to accept small business teaming and joint venture agreements for use in federal contracting and subcontracting

Accomplishments:

Mar 05 Analyzed training marketplace for teaming and joint venture agreements for federal contracting and subcontracting

Apr 05 SADBUs attended two day seminar on "Teaming Agreements and Advanced Subcontracting Issues" to establish "train the trainer" capability for DoD

Schedule:

FY 05 Complete in-house study of SDVOSB teaming and joint venture agreements in federal contracting and subcontracting

FY 05 Develop training for acquisition officials and for SDVOSBs

FY 05 Develop "Teaming and Joint Venture White Paper" to brief senior acquisition officials

FY 06 "Go-no go" on use of teaming agreements

FY 06 FAR changes, if necessary

FY07 and out years Continue training

Near Term Actions [90 days]:

Apr-Jun 05 Collect and review materials on teaming and joint venture agreements, federal contracting, and subcontracting for "train the trainer" capability

Jun-Sep 05 Present teaming and joint venture materials at National Veterans Small Business Conference, June 20-22, 2005.

Sep 05 Transmit "White Paper" to senior acquisition staff for spring briefing



Department of Defense
Service-Disabled Veteran-Owned
Small Business Strategic Plan



Other E.O. 13360 Requirements

- **Publication of Plan:**

When the strategic plan is approved by the Secretary of Defense or his designee, it will be published on the DoD SADBUs website and other DoD websites and transmitted to SBA

- **Additional duties assigned to DoD:**

SADBUs, DPAP and DAU completed online training module under Section 5 of Executive Order 13360



Department of Defense
Service-Disabled Veteran-Owned
Small Business Strategic Plan



Acronyms

- AT&L – Acquisition, Technology and Logistics
- CCR – Central Contractor Registration
- COE – Army Corps of Engineers
- DAU – Defense Acquisition University
- DLA – Defense Logistics Agency
- DoD – Department of Defense
- DFARS – Defense Federal Acquisition Regulation Supplement
- DPAP – Defense Procurement and Acquisition Policy
- E.O. – Executive Order
- FAR – Federal Acquisition Regulation
- MPP – DoD Mentor Protégé Program
- NAICS – North American Industry Classification System
- ODA – Other Defense Agencies
- OUSD – Office of the Under Secretary of Defense
- PEN REN – Pentagon Renovation
- SADBU – Small and Disadvantaged Business Utilization
- SBA – Small Business Administration
- SBLO – Small Business Liaison Officer
- SDVOSB – Service-Disabled Veteran-Owned Small Business
- SECDEF – Secretary of Defense
- VA – U.S. Department of Veteran's Affairs
- VSO – Veteran Service Organization