

ARS □ CSREES □ ERS □ NASS

Policies and Procedures

Title: Procurement Preference Program

Number: 210.8

Date: 9/24/1999

Originating Office: Procurement and Property Division, Policy Branch,
AFM/ARS

This Replaces: 210.8 dated 5/30/96

Distribution: REE Offices in Headquarters, Areas, and Field Locations

This P&P provides the guidance to implement and manage the Procurement Preference Program and to develop the procurement forecast and preference goals.

Table of Contents

1.	Authorities	3
2.	Background	3
3.	Policy	4
4.	Program Definitions	4
5.	Procedures	6
	What to Include in the Procurement Preference Program Goals	8
	What Not to Include in the Procurement Preference Goals	8
	Other Considerations	9
	Goal Monitoring	10
	Documentation	11
6.	Critical Timeframes	11
	Exhibit 1	14
	Exhibit 2	15

1. Authorities

Departmental Regulation (DR) 5090-2, "Annual Procurement Preference Program (PPP) Goals," dated July 1, 1998, prescribes policies and procedures for establishing procurement preference program goals and monitoring achievements in accordance with 15 United States Code (U.S.C.) 644(g)(2).

DR 5090-3, "Annual Procurement Forecast Requirements," dated July 1, 1998, prescribes policies, responsibilities and procedures for developing annual procurement forecasts in accordance with 15 U.S.C. 637(a)(12)(c).

HUBZone Act of 1997, Title VI of Public Law 105-135, enacted on December 2, 1997, prescribes policies and procedures which established program goals and monitoring achievements under the HUBZone Empowerment Program.

2. Background

The head of each Federal agency is required to establish realistic goals for the award of contracts to small business concerns owned and controlled by socially and economically disadvantaged individuals, and small business concerns owned and controlled by women. Small businesses may be awarded any contract or any part of a contract which is determined to be in the interest of assuring that a fair proportion of the total purchases and contracts for property and services are placed with small business concerns (15 U.S.C. 644(g)(2)).

In accordance with 15 U.S.C. 644(g)(1):

- The Governmentwide goal for participation by small business concerns shall not be less than 3 percent of the total value of all prime contract awards for each fiscal year.
- The Governmentwide goal for participation of small business concerns owned and controlled by socially and economically disadvantaged individuals will not be less than 5 percent of the total value of all prime contracts and subcontract awards for each fiscal year.
- The Governmentwide goal for the participation of small business concerns owned and controlled by women must not be less than 5 percent of the total value of all prime contract and subcontract awards for each fiscal year.

In accordance with the HUBZone Act of 1997, Title VI of P.L. 105-125, the goal for the award of HUBZone contracts must not be less than the following percentage of the total value of all prime contract and subcontract awards for each fiscal year: 1999 - 1 percent; 2000 - 1-1/2 percent; 2001 - 2 percent; 2002 - 2-1/2 percent; 2003 and each year thereafter 3 percent. The agency is also required to make available to small businesses an annual forecast of expected

contract opportunities that small business concerns, including those owned and controlled by socially and economically disadvantaged individuals, are capable of performing. Such forecast must be periodically revised during the year (15 U.S.C. 637(a)(12)(c)).

3. Policy

It is policy of REE to provide a fair portion of its contracting and subcontracting opportunities to small, small disadvantaged, women-owned, and HUBZone small businesses. Such firms will also be provided the opportunity to perform as subcontractors on other contracts.

To accomplish this, DR 5090-3 requires all agencies and staff offices with contracting authority to prepare and submit:

- an annual procurement forecast that reflects planned procurement for the procuring agency and for the agencies or staff offices that it services, and
- goals established in the agency's annual small business preference plan for small, small disadvantaged, 8(a), women-owned, and HUBZone concerns.

Agencies are also required to establish goals that meet or exceed the Governmentwide or Departmentwide minimums and develop procurement forecasts which reflect planned procurement and goals established in the agency's annual small business preference plan for small, small disadvantaged, 8(a), and women-owned small businesses. Projects contained in the procurement forecast must be reflected in the PPP goals.

4. Program Definitions

Head of Contracting Activity Designee

The Head of the Contracting Activity (HCA) e.g., Administrator, ARS, has the overall responsibility for managing the contracting activity and may designate an official, i.e., Head of the Contracting Activity Designee (HCAD), to carry out the functions of the HCA. The HCAD will establish and report on PPP goals for the agency and submit the agency's procurement forecast. The HCA may also be cognizant HCA for other agencies for whom he may exercise procurement authority. The HCAD for REE is the Director, Procurement and Property Division (PPD), Administrative and Financial Management.

Agency Head

The head of an agency or a staff office director who may not have procurement authority but whose office generates procurement and who receives procurement services from a cognizant HCA, i.e., CSREES, NASS, and ERS. The cognizant HCA for each of these agencies is the Administrator, ARS.

Procurement Preference Program Categories

The Small Business Administration (SBA), has classified the following categories as preference program areas:

Prime Contracts

- (1) Small Businesses;
- (2) 8(a);
- (3) Small Disadvantaged Businesses;
- (4) Women-Owned Small Businesses; and
- (5) HUBZone Small Businesses.

Subcontracts

- (1) Subcontracts Awarded to Small Businesses;
- (2) Subcontracts Awarded to Small Disadvantaged Businesses;
- (3) Subcontracts Awarded to Women-Owned Small Businesses; and
- (4) Subcontracts Awarded to HUBZone Small Businesses.

Procurement Forecast

The procurement forecast is a projection of contract requirements to be initiated during a fiscal year to carry out the mission of the organization. The procurement forecast must identify those contract requirements set aside for exclusive participation of 8(a) firms, small, small disadvantaged, and HUBZONE concerns.

REE Coordinator

The REE individual designated by the HCAD or a representative to carry out the duties of the Small Business Coordinator within REE. The duties of the Small Business Coordinator are outlined in the AGAR 419.201-71.

5. Procedures

Instructions for development of the Annual Procurement Forecast are contained in Exhibit 2 of these Policies and Procedures. The format for the forecast is appended thereto.

Data To Be Provided in the Procurement Preference Goals Estimate. Area PAO's and Headquarters buying activities shall propose the amount of total prime contracts and subcontracts which will be awarded in their areas of responsibilities under the procurement preference program during the upcoming fiscal year. The goals for each category must be developed and assembled in accordance with procedures set forth herein and submitted to the HCA no later than July 15 of each fiscal year for compilation and submission to Office of Small Disadvantaged Business Utilization (OSDBU) by August 15. The goal shall be submitted in the format prescribed in Exhibit 1. Preference goals shall be reflective of the procurement opportunities contained in the Forecast. An explanation of the information required in the Procurement Preference Program Goals Estimate (Exhibit 1) follows:

- a. **Total Prime Contracts (block 1).** An estimate of the total dollar amount of all prime contracts (regardless of dollar value) to be awarded during the fiscal year, expressed in numbers and dollars.
- b. **Prime Contracts, Small Business (block 2).** A goal for prime contract awards to be made to small business concerns during the fiscal year, expressed in numbers, dollars, and as a percentage of prime contract dollars above. *(Note: This dollar goal includes the dollar goals to 8(a) firms, small disadvantaged, women-owned, and HUBZone business concerns addressed in paragraphs (c) through (f) in section "Goal Development", below).*
- c. **Prime Contracts, 8(a) Firms (block 3).** A goal for prime contract awards to the SBA under the authority of Section 8(a) of the Small Business Act, as amended, expressed in numbers, dollars, and as a percentage of total prime contracts.
- d. **Prime Contracts, Minority (block 4).** A goal for prime contract awards to be made to small business concerns owned and controlled by socially and economically disadvantaged individuals, other than 8(a), expressed in numbers, dollars, and as a percentage of total prime contracts.

Note that article 9 of Appendix A contained in DR 5090-2 indicates that this goal may be adjusted in the latter part of the fiscal year, if appropriate, to reflect estimated industry benchmarks consistent with the Department of Justice's affirmative action proposal published in the Federal Register.

- e. **Prime Contracts, Women-Owned (block 5).** A goal for prime contract awards to be made to small business concerns owned and controlled by women, expressed in numbers, dollars, and as a percentage of total prime contracts.

The preference goals should be reflective of the buying activity's forecast of procurement opportunities.

- f. **Prime Contracts, HUBZone Firms (block 6).** A goal for prime contract awards to be made to HUBZone firms expressed in numbers, dollars, and as a percentage of total prime contracts.
- g. **Total Subcontracts (block 7).** An estimate of the total dollar amount of subcontracts to be awarded by all of ARS reporting prime contractors (as identified in SF-295) during the fiscal year.
- h. **Subcontracts, Small Business (block 8).** A goal for subcontracts to be awarded by prime contractors to small business concerns, expressed in numbers, dollars, and as a percentage of total subcontracts above. (Note: This dollar amount includes dollar goals in subcontracts, small business subcontracts; minority subcontracts, women-owned; and subcontracts-HUBZone).
- i. **Subcontracts, Minority (block 9).** A goal for subcontracts to be awarded by prime contractors to small business concerns owned and controlled by socially and economically disadvantaged individuals, expressed in numbers, dollars, and as a percentage of total subcontracts.
- j. **Subcontracts, Women-Owned (block 10).** A goal for subcontracts to be awarded by prime contractors to small business concerns owned and controlled by women, expressed in numbers, dollars, and as a percentage of total subcontracts.
- k. **Subcontracts, HUBZone (block 11).** A goal for subcontracts to be awarded by prime contractors to HUBZone business concerns, expressed in numbers, dollars, and as a percentage of total subcontracts.
- l. **Methods used to Establish Goal Estimates (block 12).** See the instructions under section entitled "Documentation" below. Identify method(s) and/or the basis for the planned dollars and percentages. That is, identify whether the estimates are based on (1) past history with adjustments for non-recurring or extraordinary acquisitions, or (2) the annual forecast with the inclusion of contract options, depot purchases, etc.

What to Include in the Procurement Preference Program Goals

Include all contract awards to non-profit organizations, educational institutions, and for-profit entities. Include all contract actions involving appropriated funds including options exercised unilaterally by the Government and contract modifications likely to be funded during the current fiscal year. Include new contracts, new delivery or task orders, *and all other requirements which exceed \$25,000 including known modifications and change orders.*

Federal Supply Schedule (FSS) Contracting Dollars. GSA will submit separate goals for the types of businesses with FSS schedule awards in effect during the fiscal year. *Agency goals must include contracting dollars for Federal Supply Schedules.* These dollars should be included as part of items (a) through (f) above.

What Not to Include in the Procurement Preference Goals

The following should not be included in the estimate of Procurement Preference Goals:

- real property (leases or purchases),
- foreign military sales, non-appropriated fund contracts,
- contracts to be awarded and performed entirely outside the United States, and
- the mandatory sources of supplies and services as listed in the Federal Acquisition Regulations (FAR), Part 8, e.g., Federal Prison Industries, Inc., Committee for Purchases From People Who Are Blind or Severely Disabled, and Wholesale Supply Sources, such as stock programs of the Defense Logistics Agency, the Department of Veterans Affairs, and military inventory control points.

Purchases Made with Credit Cards (Under \$25,000). Neither micropurchases (\$2,500 and under) nor individual purchases ranging from \$2,501 through \$25,000 should be included in Total Prime Contracts. Purchases above the micropurchase level and under \$25,000 should not be included unless they result in the submission of form SF-279, Individual Contract Action Report. For example, all contracts covered by the Small Business Competitiveness Demonstration Program are required to be reported in Federal Procurement Data System (FPDS) even if they total less than \$25,000, see also Departmental Manual 5013-6. These purchases will be reported through the Purchase Card Management System (PCMS) at the Department level only, and not at the agency level. No PCMS report will be issued at the agency level. Departmental Manual 5013-6 indicates that:

“Micro purchases need not be reported. Procurement preference program data for these purchases will be obtained by PCMS through the VISA network.... Procurement actions

above the micropurchase threshold are to be reported as follows: (i) Actions with a cost above the micro purchase level but less than \$25,000 must be reported using the appropriate SF-281 reporting codes in PCMS; (ii) Actions at or above \$25,000 and actions in the Small Business Competitiveness Demonstration Program at any dollar value, must be reported by completing the SF-279, Independent Contract Action Report.”

Other Considerations

Planned Contract Volumes. Each major buying activity is required to establish realistic goals while emphasizing the agency’s efforts to support small, small disadvantaged, 8(a), women-owned, and HUBZone small business concerns. The contract dollar volume should be a realistic representation of the amount of contracts likely to be awarded during the upcoming fiscal year.

The contract volume is the amount of total “planned” dollars expected to be awarded during the fiscal year. The “planned” volume is the best estimate of the amount of dollars reasonably expected to be awarded in the current period. The volume should be based upon realistic expectations.

In developing the estimate, give due consideration to the historical data available from the previous fiscal year. Review the previous year’s achievements and total dollar value of prime contracts and subcontracts. Determine whether the planned volume was understated or overstated by a significant amount; compare it to the current “planned” volume; and consider whether the planned volumes being projected for the current period are reasonable considering past history. Adjust the planned volume to the expected level of contracting. For each of the categories, compare the planned goals with the actual accomplishments, paying particular attention to the percentage, dollar values, and what they reveal. The percentage goal will remain fixed and will be controlling as they are applied against your accomplishments to determine whether your goals have been met.

Percentage Goals. Based on the previous year’s achievements, determine what volume of contract awards can be made in each procurement preference category based upon an assessment of how well your Area performed in previous periods. Determine whether the goals were met in each of the reporting categories. If not, determine the cause(s) of any failures, analyze the causes, and determine if they are correctable. If they are correctable, identify the necessary actions to achieve the goals and propose a plan to implement, within the current fiscal year, which actions will achieve the proposed goals.

In the event the causes cannot be overcome, identify those reasons in a cover memorandum to the HCAD with your proposed goals. Identify the steps you have undertaken to overcome those barriers, including any which involve outreach activities.

Goal Monitoring

Percentage Goal as the Controlling Factor. Note that all goals are expressed in terms of numbers, dollars, and percentages. If there is any variance, up or down, from the projected base amounts upon which goals are established, the percentage goal is the controlling factor and will be used to measure actual achievement.

Extraordinary Circumstances. In the event of extraordinary circumstances such as unexpected budget cuts, requests for revised goals will be considered if received by December 1 of the goaling year for submission to OSDBU Director, by December 15.

Adjustment of Minority Goals. Consistent with the Department of Justice affirmative action proposal published in the Federal Register, small disadvantaged businesses (prime and subcontracting) goals may be adjusted in the latter part of the fiscal year, if appropriate, to reflect estimated industry benchmarks.

Reports on Achievements Against Established Goals (Prime Contracts). After the close of each reporting quarter, a combined summary report of SF-279/281 data will be provided to each major buying activity detailing preference accomplishments for the quarter. The report shall be reviewed by each activity for completeness, accuracy, and monitoring of goal achievement. (Data corrections required shall be made through the SF-279 in the Federal Procurement Data System (FPDS); however, other software errors should be reported, in writing, to the Policy Branch of PPD.) Each activity is required to verify to the HCA Designee the accuracy of the data being reported and respond with an assessment of the reported achievements against the goals and future plans for remedying any shortfalls. Agency reports of goal achievements should be based upon official SF-279/SF-281 data as recorded at the Federal Procurement Data Center.

Report on Achievements Against Established Goals (Subcontracts). Reports of goal achievements in subcontracting will be based upon official data contained in the SF-295, Summary Subcontract Report. These reports will be submitted by the prime contractor through the Contracting Officer to the HCA Designee no later than October 15 each fiscal year for submission to OSDBU by October 30.

The reports must be reviewed by Contracting Officers to determine:

- whether the prime contractor is operating within the terms and conditions of the subcontracting plan contained in the contract;
- whether the contractor has made a good faith effort to comply with the terms when the SF-295 reflects underachievement of subcontract goals; and whether the SF-295 contains appropriate justification for any failure to meet the goals established in the Subcontracting Plan.

Format of Procurement Preference Goals Estimate. To facilitate the consolidation of this information, submit your PPP goals on the enclosed form titled, Procurement Preference Goals Estimate, FY- __ (Exhibit 1), which coincides with the procedures from the OSDBU. A column has been provided for the number of contracts and subcontracts expected to be awarded. Instructions for development of the preference goals are noted above.

Documentation

A detailed written presentation of the method used to establish the estimates and goals shall be submitted by the noncognizant agency heads and major ARS buying activities along with copies of the historical data upon which the estimates and goals are based. Information about the numbers of contracts involved in the estimates is also required. This information is needed to evaluate the estimates and the goals to which they relate. In establishing contracting goals, identify and justify each class of contracts and the projected total value thereof which has been determined by a major buying activity to have little or no subcontracting possibilities.

6. Critical Timeframes

- May 15 - HCA Designee will issue request for the annual procurement forecast and procurement preference goals in accordance with instructions contained herein for submission by July 15.
- July 15 - Procurement forecast and procurement preference goals are due from the Procurement Assistance Officers and Headquarter buying activities.
- July 15 through August 15 - HCAD will develop forecast and procurement preference goals and submit to Director, OSDBU.
- September 1 - OSDBU will have completed the review and approval of procurement preference goals.
- October 1 - OSDBU will complete Department's Forecast and make it available to the public.
- December 15 - HCA Designee revises preference goals to absorb budget cuts, if necessary.
- March 15 through April 20 - HCA Designee will revise forecast, if necessary, and submit to Director, OSDBU.

7. Summary of Responsibilities

HCAD

- Consolidates forecast and establishes goals and a time frame for their submission.
- Provides quarterly assessments to update the status of achievements including potential problems in meeting the goals.
- Ensures sufficient contract requirements are set aside for small businesses in the preference program categories.
- Ensures that procurement forecast and goals are submitted to Director OSDBU by August 15.
- Revises the procurement forecast, if necessary, by April 20.

Agency Heads

- Prepare and submit a forecast of contract requirements.
- Accept goals for each procurement preference program category based on the advice of the HCAD.

PAO's and Major Buying Activities for ARS Headquarters

- Prepare and submit procurement forecast and procurement preference goals in accordance with procedures contained herein.
- Ensure that the procurement preference goals reflect the procurement forecast.
- Monitor progress of goal achievements and take necessary action to remedy any imbalances.

REE Coordinator

- Coordinates the development of preference program goals and forecast.
- Ensures that procurement goals reflect the annual forecast.
- Ensures that procurement forecast and goals are submitted in the prescribed format.
- Provides feedback for the quarterly assessment reports.

- Coordinates the development and revision of the agency's annual procurement forecast.
- Ensures that the procurement forecast is sufficient to meet established goals.

Director OSDBU

- Consolidates agencies REE forecast with those of other agencies and submits the Department's goals to the SBA.
- Reviews and approves all procurement preference program goals by September 30.
- Ensures that the Department's forecast is made available to the public by October 1.
- Provides a quarterly assessment and status of accomplishments to cognizant HCA's Under and Assistant Secretaries on January 30, April 30, July 30, and October 30.
- Provides a quarterly report card on each HCA to the Assistant Secretary for Administration.

-/Sd/-

W. G. HORNER
Deputy Administrator
Administrative and Financial Management

PROCUREMENT PREFERENCE PROGRAM GOALS ESTIMATE

FY-_____

Office _____

	No. of Actions	Dollars	Percentage of Item 1
1. Total Prime Contracts			
2. Prime Contracts - Small Business			
3. Prime Contracts - 8(a) Firms			
4. Prime Contracts - Minority			
5. Prime Contracts - Women-Owned Concerns			
6. Prime Contracts - HUBZone Concerns			

	No. of Actions	Dollars	Percentage of Item 7
7. Total Subcontracts			
8. Subcontracts - Small Business			
9. Subcontracts - Minority			
10. Subcontracts - Women-Owned Concerns			
11. Subcontracts - HUBZone Concerns			

12. Methods used to establish estimates and goals.

INSTRUCTIONS

FORECAST OF PROCUREMENT OPPORTUNITIES

The forecast is intended to convey information on the procurement opportunities available within the mission area. For the fiscal year include anticipated funded new requirements which will be expected to exceed \$25,000. This will include equipment, one-time and recurring services, repair and maintenance, and construction likely to be funded within the fiscal year.

The forecast should contain individual projects and classes of opportunities (and the number of opportunities within each class). Contract options, modifications, or change orders must not be included as they are not available for competition. The Forecast should be reflective of goals established in the Procurement Preference Program for small, small disadvantaged, 8(a), Women-Owned and HUBZone Small Businesses to the maximum extent practicable.

To ensure consistency in the Agency’s submission, submit your forecast information on the form provided at the end of Exhibit 2. ***Do not extend the rows of the table or otherwise alter the form.*** If additional copies are needed, simply copy the table.

Block 1. **Description of the Product or Service.** Describe the item clearly and concisely.

Block 2. **Anticipated Source of Supply.** Using the list of supply codes below, identify the anticipated source of supply for the product or service to be procured:

8(a)	Section 8(a) Set-Aside
SBSA	Small Business Set-Aside
SDB	Small Disadvantaged Business
WO	Women Owned Business
GSA/FSS	Federal Supply Schedule
C	Competitive
JWOD	Javits-Wagner O'Day Act Firm
DO/TO Man	Delivery/Task orders issued against mandatory contracts
DO/TO-Non-Man	Delivery/Task orders issued against non-mandatory contracts

Block 3. **Estimated Dollar Amount Or Dollar Range.** The following ranges must be used in specifying the Government's cost estimate for each anticipated procurement. No actual dollar amounts should be used.

\$25,000 or less	"A"
\$25,001 to \$100, 000	"B"
\$100,001 to \$250,000	"C"
\$250,0001 to \$500,000	"D"
\$500,001 to \$1,000,000	"E"
\$1,000,001 to \$5,000,000	"F"
\$5,000,001 to \$10,000,000	"G"
Over \$10,000,000	"H"

Block 4. **Anticipated Award Date.** Identify the calendar quarter when award is expected to be made, e.g., 1st, 2nd, 3rd or 4th quarter.

Block 5. **Location of the Project.** Identify the city and state where the project will be performed or supplies will be delivered.

Block 6. **SIC Code.** Identify the Standard Industrial Classification Code associated with the product/services.

Please E-mail (or fax) the completed form to PPD Policy Branch. The procurement forecast and goals must be submitted to PPD Policy Branch by July 15. The forecast must be accompanied by the PPP goals and a cover memo, as required, to explain proposed goals which do not meet the Department's minimum threshold.

FY _____

FORECAST OF PROCUREMENT OPPORTUNITIES

AGENCY _____

Product Description	Source of Supply (USE LIST)	Anticipated Price Range	Anticipated Quarter of Award	Location of Projected Award	SIC Code