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Policies and Procedures

Title: Procurement Preference Program

Number: 210.8

Date: June 6, 2011

Originating Office: Acquisition and Property Division, Acquisition Programs and Oversight Branch, AFM/ARS

This Replaces: 210.8 dated 8/13/2009

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

This P&P updates the guidance on managing the Procurement Preference Program including the Procurement Forecast and Preference Goals.

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1. Authorities

Departmental Regulation (DR) 5090-2 entitled “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 entitled “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).

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

DR 5090-005 entitled “USDA Small Business Programs – Contracting with Service Disabled, Veteran-Owned Small Business,” dated September 26, 2006, prescribes policies and procedures in accordance with Executive Order 13360, “Service-Disabled Veterans,” to significantly increase the Federal contracting and subcontracting of such businesses.

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; service-disabled veterans; and 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 statutory goals are as follows:

- Small Business (SB): 23 percent of the total value of all prime contract awards for each fiscal year.
- Small Disadvantaged Business (SDB): 5 percent of the total value of all prime contract and subcontract awards for each fiscal year.
- Women-Owned Small Business (WOSB): 5 percent of the total value of all prime contract and subcontract awards for each fiscal year.
- Historically Underutilized Business Zone (HUBZone): 3 percent of the total value of all prime contract awards for each fiscal year.

- Service-Disabled Veteran-Owned Small Business (SDVOSB): 3 percent of the total value of all prime contract and subcontract awards for each fiscal year.

The Agency is also required to make available to small businesses an annual forecast of expected contract opportunities that small business concerns are capable of performing. The forecast must be periodically revised during the year pursuant to 15 U.S.C. 637(a)(12)(c).

3. Policy

It is the policy of REE to provide a fair portion of its contracting and subcontracting opportunities to small, small disadvantaged, women-owned, SDVOSB and HUBZone small businesses.

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

- an annual forecast of procurement opportunities 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), SDVOSB, HUBZone, and women-owned small businesses. Projects contained in the procurement forecast must be reflected in the agency's Procurement Preference Program (PPP) Goals.

4. Program Definitions

Head of the Contracting Activity Designee (HCAD)

The Head of the Contracting Activity (HCA) i.e., REE Administrators, has the overall responsibility for managing the contracting activity, and they designate the Head of the Contracting Activity Designee (HCAD) to carry out the functions of their HCA responsibilities. The HCAD will establish and report on PPP goals for the mission and will submit the mission's Procurement Forecast. The HCAD for REE is the Director, Acquisition and Property Division (APD), Administrative and Financial Management (AFM).

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
- (5) HUBZone Small Businesses
- (6) Service-Disabled Veteran-Owned Small Businesses

Subcontracts

- (1) Subcontracts Awarded to Small Businesses
- (2) Subcontracts Awarded to Small Disadvantaged Businesses
- (3) Subcontracts Awarded to Women-Owned Small Businesses
- (4) Subcontracts Awarded to HUBZone Small Businesses
- (5) Subcontracts Awarded to Service-Disabled Veteran-Owned 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 requirements set-aside for small, SDB, 8(a), WO, SDVOSB, and HUBZone concerns.

REE Small Business Coordinator

An REE Small Business Coordinator is designated by the HCAD or a representative of the HCAD to ensure agency compliance with USDA small business programs. The duties of the Small Business Coordinator are outlined in AGAR 419.201-71.

5. Procedures

Instructions for development of the Annual Procurement Forecast are contained in Exhibit 2 of this Policies and Procedures.

Procurement Preference Goals:

Area Procurement Assistance Officers (PAO's) and Headquarters buying activities shall propose the amount of total prime contracts and subcontracts which will be awarded in their areas of responsibility under the Procurement Preference Program during the two upcoming fiscal years. The goals for each category must be developed and assembled in accordance with the procedures set forth herein and submitted to the HCAD no later than July 15 of every other fiscal year for compilation and submission to the Office of Small and Disadvantaged Business Utilization (OSDBU) by August 15. Goals 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:

1. **Total Prime Contracts.** 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.
2. **Prime Contracts, Small Business.** 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, SDB, WO, SDVOSB and HUBZone business concerns addressed in paragraphs (3) through (7) below.)

3. **Prime Contracts, 8(a).** 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.
4. **Prime Contracts, Small Disadvantaged.** 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 prime contracts.

(Note: 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.)

5. **Prime Contracts, Women-Owned.** 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.
6. **Prime Contracts, HUBZone.** A goal for prime contract awards to be made to HUBZone firms expressed in numbers, dollars, and as a percentage of total prime contracts.
7. **Prime Contracts, SDVOSB.** A goal for prime contract awards to be made to SDVOSB firms expressed in numbers, dollars, and as a percentage of total prime contracts.

8. **Total Subcontracts.** An estimate of the total dollar amount of subcontracts to be awarded by all ARS reporting prime contractors during the fiscal year.
9. **Subcontracts, Small Business.** A goal for subcontracts to be awarded by prime contractors to small business concerns, expressed in numbers, dollars, and as a percentage of the total subcontracts above.

(Note: This amount includes all subcontract awards to small businesses, SDB's, WO, HUBZone and SDVOSB business concerns addressed in paragraphs (10) through (13) below).
10. **Subcontracts, Small Disadvantaged.** 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.
11. **Subcontracts, Women-Owned.** 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.
12. **Subcontracts, HUBZone.** 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.
13. **Subcontracts, SDVOSB.** A goal for subcontracts to be awarded by prime contractors to SDVOSB business concerns, expressed in numbers, dollars, and as a percentage of total subcontracts.
14. **Methods used to Establish Estimates and Goals.** See the instructions under the 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 forecasts with the inclusion of contract options, agency 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 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 (1) through (7) above.

What Not to Include in the Procurement Preference Program Goals

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

- real property (leases or purchases),
- foreign military sales, non-appropriated funds 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 Regulation (FAR) Part 8, e.g., Federal Prison Industries, Inc., Committee for the Purchase 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.
- Micro-purchases \$3,000 and under (\$2,000 and under for construction) not entered in the Federal Procurement Data System – Next Generation (FPDS-NG).

Other Considerations

Planned Contract Volumes

Each major buying activity is required to establish realistic goals while emphasizing the agency's efforts to support small, SDB, 8(a), WO, SDVOSB, and HUBZone 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/Office 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, actions that will achieve the proposed goals.

In the event that causes cannot be overcome, identify those reasons in a cover memorandum to the HCAD with your proposed goals. Identify the steps you have taken to overcome those barriers, including 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 to revise goals will be considered if submitted to the HCAD by December 1 of the goaling year for submission to the OSDBU by December 15.

Adjustment of Small Disadvantaged Goals

Consistent with the Department of Justice’s 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 FPDS-NG 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. Required data corrections shall be made through FPDS-NG; however, other software errors should be reported, in writing, to the Acquisition Programs and Oversight Branch (APOB), APD. Each activity is required to verify to the HCAD 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 data as recorded in the Federal Procurement Data System – Next Generation.

Reports on Achievements Against Established Goals (Subcontracts)

Reports of goal achievements in subcontracting will be based upon the official data contained in the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) (www.fsrs.gov). FSRS is the Web-based system that provides a single point of entry for Federal Government subcontracting requirements and reports. This centralized database automates the business processes for completion and submission of the Individual Subcontract Report (ISR) and the Summary Subcontract Report (SSR). All large business prime contractors with subcontracting plans must file the required reports in FSRS.

ISRs are due semi-annually and at contract completion, within 30 days after the close of each reporting period unless otherwise directed by the Contracting Officer. Normally these deadlines would be April 30 for the period ended March 31 and October 30 for the period ended September 30. A separate report is also due within 30 days after contract completion. Reports are required when due, regardless of whether there has been any subcontracting activity since the inception of the contract or since the last reporting period.

SSRs must be submitted annually for the 12 month period ending September 30. Reports are due 30 days after the close of each reporting period (October 30).

Each individual FSRS report must be reviewed by the Contracting Officer to determine whether:

- a prime contractor is operating within the terms and conditions of the subcontracting plan contained in the contract;
- the contractor has made a good faith effort to comply with the terms of the subcontracting plan when the report reflects underachievement of subcontract goals;

- it contains the appropriate justification for any failure to meet the goals established in the Subcontracting Plan;
- it is complete and to accept or reject (as appropriate).

Format of Procurement Preference Program Goals Estimate

To facilitate the consolidation of this information, submit your PPP goals on the enclosed form entitled, Procurement Preference Program 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 number 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

- February 15 – HCAD will request information from the REE mission area to develop the procurement forecast for the Headquarters buying activities for submission by March 15.
- May 15 – HCAD will issue requests for the annual Procurement Forecast and Procurement Preference Goals from the Areas and Headquarters buying activities in accordance with the instructions contained herein for submission by July 15.
- July 15 – Procurement Forecast and Procurement Preference Program Goals are due from the Procurement Assistance Officers and Headquarters buying activities.

Note: Procurement Preference Program Goals are due every other fiscal year.

- July 15 through August 15 – HCAD will develop forecast and procurement preference goals for submission to Director, OSDBU.
- September 30 – 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 – HCAD revises preference goals to reflect extraordinary circumstances, if necessary.
- March 15 through April 20 – HCAD 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 assessment to update the status of achievements including potential problems in meeting goals.
- Ensures sufficient contract requirements are set aside for small businesses in 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 Small Business Coordinator

- Coordinates the development of preference program goals and forecast.
- Ensures that procurement goals reflect the annual forecast.
- Ensures that the 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 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.

/s/
LARRY R. CULLUMBER
Director
Acquisition and Property Division

Exhibit 1

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)			
4. Prime Contracts - Small Disadvantaged			
5. Prime Contracts - Women-Owned			
6. Prime Contracts - HUBZone			
7. Prime Contracts - SDVOSB			

	No. of Actions	Dollars	Percentage of Item 7
8. Total Subcontracts			
9. Subcontracts – Small Business			
10. Subcontracts - Small Disadvantaged			

11. Subcontracts - Women-Owned			
12. Subcontracts - HUBZone			
13. Subcontracts - SDVOSB			

14. 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. Procurement Assistance Officers are to use this form to report requirements that may exceed their warrant authority. 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. Project Identifier: This can be any alphanumeric code that identifies the program office’s/agency’s project (i.e. Personnel Service, A-123, etc.)

- Block 3. Estimated Amount: Use the Government’s cost estimate to identify the dollar range for the anticipated procurement. No actual dollar amount should be used.

\$25,000 or less	“A”
\$25,001 to \$100,000	“B”
\$100,001 to \$250,000	“C”
\$250,001 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 month and year when award is expected to be made.
- Block 5 Project Location: Identify the city and state where the project will be performed or supplies will be delivered.
- Block 6. Contact Name and Telephone Number: Identify the point of contact for this requirement.

Please e-mail the completed form to the REE Small Business Coordinator, APOB, APD. The procurement forecast must be submitted to APOB, APD, every year by July 15. Goals must be submitted to APOB, APD, every other year by July 15.

RESEARCH, EDUCATION, AND ECONOMICS

FY _____ FORECAST OF PROCUREMENT OPPORTUNITIES

AGENCY _____

All funded/unfunded procurements expected to exceed \$25,000

Description of Product or Service	Project Identifier	Estimated Amount	Anticipated Award Date	Project Location	Contact Name and Telephone Number